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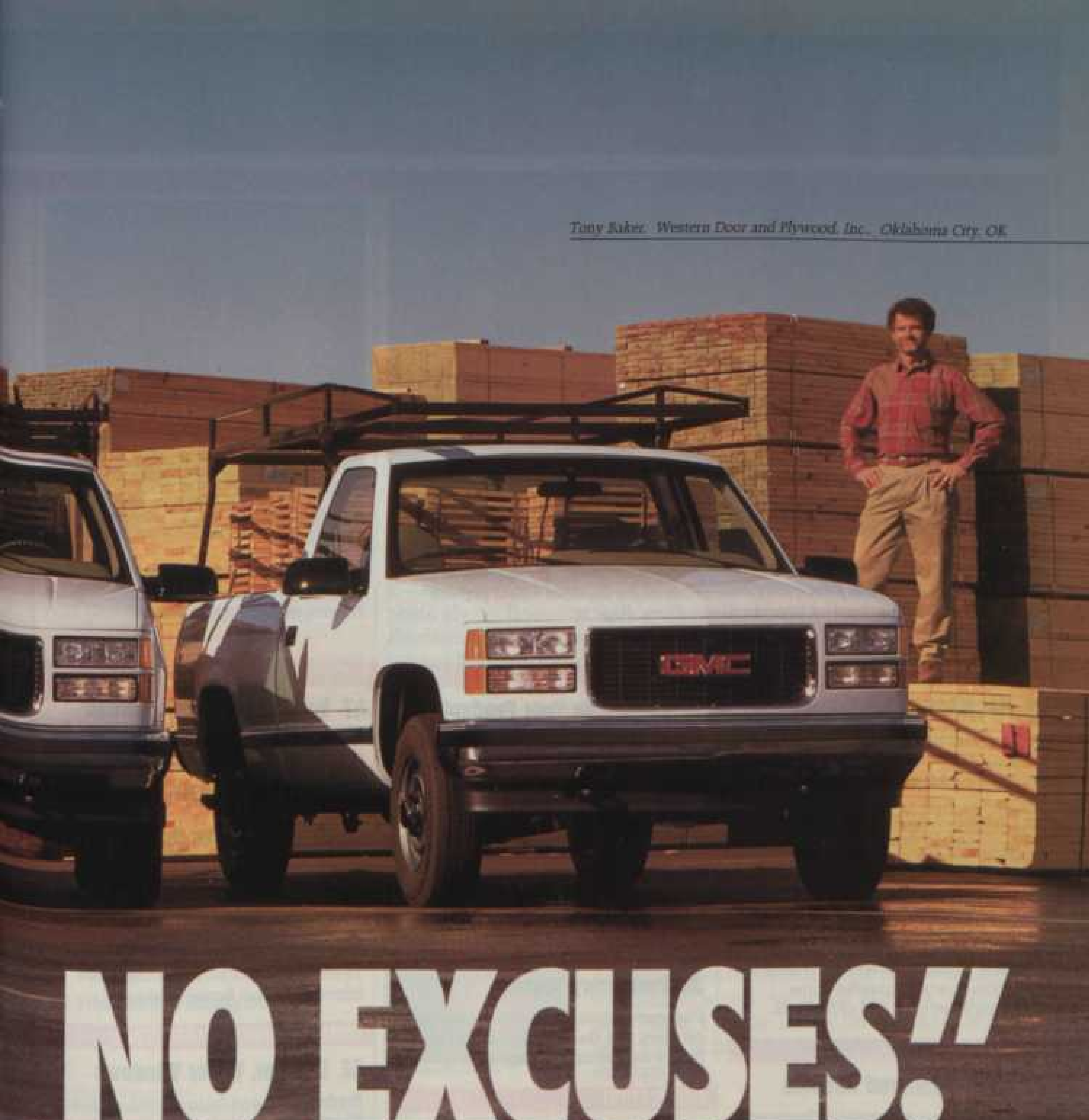

Tony Baker, Western Door and Plywood, Inc., Oklahoma City, OK

empty. And its payload capacities range from 1579 up to 5459 pounds.** So it's very versatile indeed.

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PHOTO: BART BARTHOLOMEW

Product licensing *offers major potential for U.S. manufacturers, as Papermates Inc.'s co-owner Tony Zazzu has found; his firm's products for children reflect popular characters such as Barbie and Batman. Cover Story, Page 16.*

PHOTO: T. MICHAEL KEZA

Creating *juvenile-service programs is a departure for entrepreneur W. James Hindman. Making It, Page 13.*

VOL. 83, NO. 8

Editor's Note

PHOTO: ©JON GOELL

Running the firm *without controlling interest: Cosmic Pet Products' Leon and Pam Seidman. Finance, Page 29.*

DEPARTMENTS

Cover Design: Michael Rook
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From Ordinary To Extraordinary

PHOTO: ©JOHN ZICH

If you've got a good product but it lacks pizazz, obtaining a license to use a popular image in its design could be your ticket to greater sales. In reporting this month's cover story, Contributing Editor Dale Buss found out how licensing can send a company's sales prospects soaring—or tumbling—depending on the popularity and staying power of the image.

Beginning on Page 16, Buss examines licensing trends and what properties are hot and why. He also details the pros and cons of the practice, which he gleaned from small-company owners who have tried it—like Gordon Peele, president of P&K Products, in Elgin, Ill. In the photo above, licensing veteran Peele explains to Buss, left, and *Nation's Business* Photo Editor Larry Levin, center, why he takes a long-term view toward licensing arrangements for his products featuring pro sports teams.

If you plan to introduce a new creation, licensed or not, see "Launching Your Product," by Associate Editor Roberta Maynard, on Page 32.

PHOTO: ©BRUCE BUCHANAN

While your company may be trying to build sales, Congress is trying to trim the federal bureaucracy. On Page 24, Senior Editor Jim Worsham outlines pending legislation to dismantle the Commerce Department and includes highlights of the agency's interesting history.

And Senior Writer Laura Litvan describes what participants in the recent White House Conference on Small Business, including Madison, Wis., business owner Camille Haney (in the photo at the left), have in mind for lawmakers and regulators, on Page 42.

Find out how small firms are making the most of their phones in this month's Enterprise 2000 feature, "Transforming The Telephone," Page 49.

Next month, watch for our report on how wellness programs are helping companies keep workers fit and health costs down.

Mary Y. McElveen
Editor

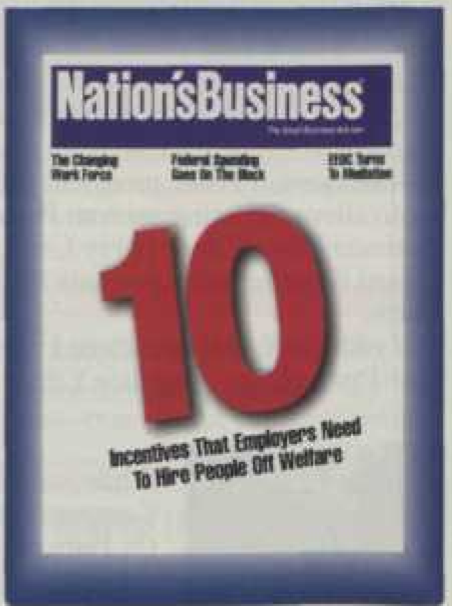
Nation'sBusiness

Letters

No Training, No Job; No Job, No Training

I would like to commend you on your June cover story, "Welfare Reform: Making It Work." I am a 28-year-old black woman who has been in the welfare system off and on for a number of years. I've worked most of my life, so I know what it's like to hold a job and support a family. I want to set the record straight on a couple of things.

All welfare recipients are not afraid to work, nor are they lazy. In fact, more would be willing to work if more of the available jobs paid enough to support the high cost of living. It gets discouraging when there is no one to help you and the government is not being sensitive to the real issue, which is no training, no job; no job, no training.



To those employers who are lending a helping hand, I commend you on your efforts to make a difference. Thank you.
Lisa J. Murry
Oakland, Calif.

Not Employer's Responsibility

The 10 incentives you list in your June cover story, "Welfare Reform: Making It Work," are nonsensical. It is not the responsibility of employers to get people off welfare. The only way to get rid of welfare as we know it is to abolish it. The only ones eligible for aid should be the aged whose income is below a certain level and the infirm. And the category "infirm" should only apply to those whose infirmities prevent them from working, not to alcoholics or drug users.
S.S. Steele, CEO
S.S. Steele and Co., Inc.
Mobile, Ala.

Is The GOP Leading Us Back To The '30s?

The 1930s depression was brought on chiefly by the concentration of too much of our nation's wealth in the hands of a small percentage of the population. Republicans have long argued that lowering taxes on big businesses stimulates industrial expansion as well as growth of jobs and goods to be taxed.

There are two big holes in this theory: There aren't enough families left that can afford to buy additional goods, and most of the big businesses today are investing in factories in the Orient and Latin America, where labor is cheap. Tax savings would be spent there, not here.

We do need to balance our budget and pay off the debt—but not by penalizing low-income and disadvantaged citizens, further reducing their buying power. How about running a campaign to pay off the national debt, suggesting amounts to pledge based on a percentage of family income, as we do for our churches?
Paul Gwin
Lake Havasu City, Ariz.

Diversity Programs Exclude White Males

I am writing in response to your June Enterprise 2000 article, "Nurturing Diversity." It is no wonder that our country is such a mess when even business lobby groups get involved and print articles like this one. The article quoted a company president who decided to hire Hispanic college students. This was called diversity. I call it discrimination. It seems to me that the article recommended hiring the best person possible unless that person is a white male. This is no way to run any kind of business.
Andy Pecota, Owner
Valley Services Electronics
Sunnyvale, Calif.

Diverse? Not Really

I fear you have been inside the Beltway too long. In your June Enterprise 2000 article, "Nurturing Diversity," you quoted a business owner who

said that about 94 percent of her employees are Asian or Hispanic. What convinced you that a thin veneer (6 percent) of non-Asian/non-Hispanic workers constitutes a diversified work force?
Robert L. Johnson
Consulting Management Engineer
Sunnyvale, Calif.

New Century Will Begin In 2001, Not 2000

Regarding your Enterprise 2000 series: The year 2000 is not the beginning of the 21st century. What is true is that the year 2000 starts the third millennium, but not the 21st century. Actually, the 21st century begins one millisecond after midnight on Dec. 31, 2000, thus becoming Jan. 1, 2001, the new 21st century.
William J. Stevens, President
The Dorval Agency
Lake Worth, Fla.

Kilometers To Go Before I Sleep

I happened to see the March letter from Louis F. Sokol, president emeritus of the U.S. Metric Association ["Metric System's Simplicity A Boon To Consumers"]. The way the metric system is promoted in the United States often seems wrong to me. Once I saw a highway sign that said, "Cleveland 100 miles, 161 kilometers," the 161 kilometers in smaller type. We, however, get used to thinking of things in easy-to-handle chunks (i.e., 1 mile, 10 miles, 100 miles). The sign would be better placed 100 kilometers from Cleveland. It could then read, "Cleveland 100 kilometers, 62 miles," the 62 miles in smaller type. I sure don't know the metric system and won't—despite its advantages—as long as I have to think of it in odd "chunks."
Craig Merz, Engineer
ITI Mfg., Inc.
Califon, N.J.

Is A Flat Tax The Same As A Regressive Tax?

One of your May Where I Stand questions asked respondents what aim a new tax system should have compared with today's system: become more progressive (rich pay more), become more regressive (poor pay more), or stay about the same. I thought the current debate was between the current progressive system and a flat tax. Who is proposing a regressive structure?

Does the person who worded the question equate a flat-tax system with a regressive structure?
Ronald A. Cameron

Deficits Loom Despite Cuts

We, the taxpayers, continue to have benefits taken from us, yet the government seems to do little to cut the deficit. As a chart that accompanied your June article "Trimming The Trillions" showed, spending is exceeding money coming in.

I'm sure there are a thousand benefits and programs that government employees enjoy and the average taxpayer does not.
J. Keeble

Price Is Only One Factor In Evaluating A Service

I read with concern your May article on telecommunications resellers ["Long-Distance Resellers Can Cut Phone Costs," Small Business Financial Adviser]. While a reseller may carry calls over AT&T's lines, the ultimate product is not the same. Our services are competitively priced, but you offered no real price comparison between resellers and AT&T (or any other company). Although businesses are concerned with price, most are equally concerned with other service features, including quality, reliability, and customer service.

Finally, for you to imply that AT&T is "more concerned with serving residential and huge corporate customers" indicates that you are not familiar with AT&T's close association with small and midsize businesses.
Morley A. Winograd
Sales Vice President
Commercial Market
Western Region, AT&T
Monterey Park, Calif.

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Please include your telephone number and your postal address. Because of space limitations, we cannot print all letters received, and those selected for publication may be condensed.

Entrepreneur's Notebook

By David and Martin Sher

Setting Priorities Effectively

It is often said that you shouldn't put off till tomorrow what you can do today. Unfortunately for business owners, such immediacy of action isn't always possible. Juggling priorities becomes an essential skill.

We operate four businesses, all based in Birmingham, Ala.: AmChex Collection Services, Legal Locator Nationwide, and two furniture businesses, Happy Rents and Mr. King Furniture. All are fast-growing.

In 1994, the four companies had total sales of about $8 million.

In 1992, we were honored as Alabama's top Blue Chip Enterprise Initiative designee. The program, sponsored by Connecticut Mutual Life Insurance Co., the U.S. Chamber of Commerce, and *Nation's Business*, recognizes small businesses that have overcome tough challenges and emerged stronger. (The challenge we faced was adjusting to the momentous business impact of the 1986 federal tax code overhaul.)

Our success is in large measure a result of knowing how to respond to demands on our time. As we have learned at time-management seminars, such demands can be broken down into four categories:

■ Important and urgent. These demands are easy to assess. When a pipe bursts and water pours into your basement, there is little doubt about how you should be focusing your energies.

■ Less important but urgent. These are problems that require immediate action to keep a business running smoothly. An example is arranging for backup when a receptionist calls in sick or a truck breaks down.

Alabama business owners *Martin Sher, left, and David Sher review goals during weekly walks.*

■ Less important and not urgent. This is where most of us spend—waste—too much time. There are many business tasks that can be delegated, such as the initial screening of job applications—you don't have to read *every* résumé—and routine bookkeeping chores.

■ Important but not urgent. This category covers demands on our time that, when tended to, lead to endless payoffs. Planning is one example. These are the tasks that make the most difference in how a company functions, yet a lack of urgency makes it easy to never get around to them.

In prioritizing, business people most often err by not giving those tasks that are "important but not urgent" high enough priority. Here are some of the things we do that have the biggest impact on our four companies:

■ Weekly planning. It's our highest priority. The two of us set aside half a day each week for a walk of six to eight miles. This is when we review what our goals are, what we're doing to attain those goals, and what we're going to do in the future. By being away from our desks, we avoid interruptions and feel more creative.

■ Visits to other successful companies. It's easy to say you don't have time for business trips because of your workload, but we've learned a number of important lessons—including the time value of hiring the best people available and allowing them to work without interference—by visiting other successful companies.

■ Being active in trade associations and in the community. Trade association meetings and conventions offer a wealth of information, ideas, and contacts. Community service offers the opportunity to meet community leaders, improve quality of life, and enhance your own name recognition and list of contacts.

■ Staying in touch with clients. By doing so, we know what they want and need. That, in turn, means we plan better and spend less time putting out brush fires.

Fundamental to effective time management is asking and re-asking yourself these questions: "Is this how I am supposed to be spending my time? Is there something more important I could be doing?" When the answer to these questions is "no," you are maximizing your time potential and have your priorities in the right order. NB

David and Martin Sher are brothers and co-owners of AmChex Collection Services, Legal Locator Nationwide, Mr. King Furniture, and Happy Rents, all in Birmingham, Ala. They prepared this account with Nation's Business *Contributing Editor Susan Biddle Jaffe.*

Readers with special insights on meeting the challenges of starting or running a business are invited to contribute to Entrepreneur's Notebook. Write to: Editor, Nation's Business, *1615 H Street, N.W., Washington, D.C. 20062-2000.*

What We Learned

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Dateline: Washington

Business news in brief from the nation's capital.

REGULATION

House Moves Forward With 'Corrections Day' Schedule

House Republicans have established a schedule for one of their favorite activities—taking aim at federal regulations they say are burdensome to businesses and individuals.

The House will set aside time on the second and fourth Tuesday of each month when Congress is in session for a "Corrections Day," during which it will debate bills to repeal or modify regulations issued by federal agencies or laws passed previously by Congress. The first Corrections Day was expected to be July 25.

"We are looking at things that frustrate the American people, things that are silly," said Rep. Barbara F. Vucanovich, R-Nev., chairman of the House Corrections Day Task Force, which includes seven Republicans and five Democrats.

Regulations to be debated on Corrections Day, she said, will be those that are narrow in scope and create financial burdens for families, workers, and small businesses.

"We're not going to change the Clean Water Act or anything like that," Vucanovich added. Rules targeted, she said, will be those that are "ambiguous, arbitrary, or ludicrous."

One issue under consideration for early debate is the city of San Diego's bid for a permanent exemption from certain provisions of Clean Water Act regulations so it can empty partially treated waste water into the Pacific Ocean. San Diego has applied for a temporary waiver, which would require periodic review, and the U.S. Environmental Protection Agency is expected to approve the waiver but not grant an exemption. The "Corrections Day" bill would grant the exemption.

PHOTO: ©TERRY ASHE

Rep. Barbara F. Vucanovich: *"We are looking at things that frustrate the American people."*

Under the rules for Corrections Day—adopted June 20 on a 271-146 vote—60 percent of the House members present and voting would have to approve a measure to change or eliminate a regulation or a law. If such a bill is rejected on Corrections Day, it could still be brought to the House floor in the normal manner, where only a majority vote is required for passage. Either way, the bill would have to be approved by the appropriate House committee.

Any "corrections" measure approved by the House would be sent to the Senate for consideration. If it is approved by the Senate, the legislation would still have to be signed by the president before any regulation or law is rescinded or modified.

The concept for Corrections Day was originally advanced by House Speaker Newt Gingrich, who called it "a good first start" and said he hoped it would prompt federal regulators to change rules on their own.

(*Nation's Business* readers' recommendations for rules and laws that should be considered for reform or elimination were forwarded to House leaders earlier this year.)

Regulatory reform has been a high priority of GOP congressional leaders. In March, the House passed a major regulatory-reform bill, and the Senate began debate on the issue in mid-July. In addition, both houses have approved significantly different bills that would impose regulatory moratoriums.

Whether the Senate would create a forum similar to the House's Corrections Day was unclear at press time.

—James Worsham

FOR THE RECORD

■ **The Clinton administration** has begun a service on the Internet called U.S. Business Advisor, which allows small-business users to obtain information about complying with regulations. Eventually, this service will allow entrepreneurs to file tax returns and other documents electronically. The service, unveiled in June by the U.S. Small Business Administration during the White House Conference on Small Business, can be found on the World Wide Web at http://www.business.gov.

■ **The Senate approved** legislation designed to promote competition in the cable and local and long-distance telephone markets. The June 15 bipartisan vote was 81-18. Long-distance companies expressed dissatisfaction with the legislation, but they did not lobby strongly against the measure's passage. The House is expected to take up similar legislation this summer.

■ **The battle for the presidency** of the AFL-CIO has been joined following Lane Kirkland's retirement announcement in June. AFL-CIO Secretary-Treasurer Thomas Donahue scrapped his own retirement plans and announced he is running. Meanwhile, John Sweeney, president of the Service Employees International Union, is heading a slate of insurgents who had sought Kirkland's ouster. The election is scheduled for October at the labor federation's biannual convention in New York.

■ **The Conference of the States,** a meeting of elected officials aimed at finding ways to shift power from Washington to state capitals, has been canceled. The meeting, slated for Philadelphia in October, was scuttled after a controversy erupted over the aims of the parley. The conference would have had no legal authority. It had been endorsed by such groups as the National Governors Association and was expected to present recommendations to Congress. NB

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Managing Your Small Business

Coping with impediments of age; creating strength in numbers; negotiating with a win-win attitude.

By Roberta Maynard

ENTREPRENEURSHIP

Overcoming A Youthful Image

When it comes to asking the business community for help in starting a company, being 19 years old isn't a strong selling point. Brad Daniel, president of Balloons & Bears, in Orlando, Fla., was 19 and in college when he opened his first gift store. And his tender age created some obstacles.

To minimize his youthfulness in business dealings, he adopted various tactics:

■ He concealed his age in the beginning by doing as much business as possible by phone, including lining up suppliers and getting a line of credit.

■ He brought in his "silver-haired team," namely his father, his mother (an experienced retailer), and an older manager with a strong background in franchising. The three added age and credibility to Daniel's operation.

Gift-shop entrepreneur *Brad Daniel adopted tactics in business dealings to compensate for his age.*

■ He poked fun at his age, which made employees and other business contacts more comfortable with it.

■ He focused on the strength of his experience in the business, much of it gained through working in retail shops for several years. Knowledge about the business goes a long way toward compensating for youth, he says.

■ He found a mentor, a business owner in the community whom he could watch, work for, and learn from. Daniel says it's important to have an adviser who's objective about your work and who won't cater to your ego.

■ He learned that it's important to keep an open mind, listen to others' advice, and never entertain the possibility of giving up.

Daniel's first store, in Florida, was in the black within six months and profitable the first year. He soon expanded. By the time he had franchised the business and had to meet face to face with prospective franchisees, he was still only 24. Being that young is "a huge obstacle when you are asking people to invest $60,000 to $90,000," Daniel says. "Selling the first franchise took nine months."

Now in his sixth year of business, Daniel, at 25, has stores in California and Idaho and expects to see 50 units open in 1995. He forecasts revenues of $12 million this year, up from $3.6 million in 1994.

If he had to do it again, what would this aging entrepreneur do differently? "I'd start when I was 12!"

Next Month: Look for tips on how to manage employees older than you.

EQUIPMENT

The Facts About Your Fax Costs

Choosing a fax machine is not simply a matter of selecting the least expensive model with the features you need. Businesses should take into account how much the machine will cost over time and how it will be used, say the editors of the *Business Consumer Guide*, which is published by the Beacon Research Group, a Watertown, Mass., company that does independent research on business goods and services. Some of the factors beyond sales price that affect the total cost of a fax machine, according to the guide, are:

Transmission costs. If the volume of messages sent via fax is high (say, 35 to 50 daily), speed-enhancing features that reduce fax-transmission times may pay for themselves in reduced phone bills (provided that the machines receiving your faxes are similarly equipped). Quicker transmissions also reduce the amount of time employees spend waiting at the fax machine.

Supply costs. In general, thermal fax machines have the lowest operating costs. There are no supply costs other than the paper cost of 3 to 4 cents per page. But if your employees tend to photocopy thermal faxes onto plain paper to improve the appearance and increase the longevity of the document, the resulting cost of labor, copier toner, and paper can add 5 to 6 cents per page to the actual operating cost. Among plain-paper models, laser and LED (light-emitting diode) faxes also have low operating costs, whereas ink-jet and thermal-transfer plain-paper models have higher costs, primarily because of the need to replace cartridges and ribbons, respectively.

Service costs. Because fax machines, especially thermal models, are generally very reliable, a service contract may not be necessary. But for plain-paper models, durability will vary widely according to the volume of incoming faxes. If you expect to receive more than 50 faxes a day, a service contract may make sense. A contract is probably also worth considering if you are buying used machines instead of new ones. Fax breakdown is often a result of user error, and so it's probably worthwhile to consider a service


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contract if many people use and supply the machine or if employees tend to be careless with equipment.

Before buying a fax, calculate your fax usage by printing an activity report summarizing fax traffic on your old machine. Or, if you don't have a fax machine, simply estimate how many documents each user will send or generate each week. This will help determine how busy your fax machine will be and what type of machine will be the most cost-efficient over the average lifespan of three to five years.

More information about buying a fax machine—including product comparisons and usage guides—can be found in a 23-page report available from the Beacon Research Group for $25. Call 1-800-938-0088. ■

RETAILING

Banding Together For Shelf Space

Small companies struggling to get their products onto retailers' shelves—especially those of major chain stores—often run into a dead end because of competition from larger vendors.

That's what happened to Tony Pereira, president of Clear and Simple, Inc., in West Simsbury, Conn. The firm develops software applications for IBM's OS/2 computer operating system.

Computer stores told him there wasn't enough software for OS/2 to warrant giving it shelf space. His solution was to gather together more than two dozen other developers of such software (he found them through computer database searches) to form the OS/2 Vendor Council.

To gain a market presence, the vendors put aside their competitive interests; brochures touting all of the members' products were included in each member's product packaging. The council also created a joint advertising program in which each member's software applications were included in national magazine ads.

The group asked IBM for financial backing—and got it. IBM agreed to help fund six months' worth of advertising in leading computer magazines. The council worked out an agreement with major chains to include their stores' names in the advertising in return for display of the products. A merchandising and promotion program followed that included placement in fliers, ads, catalogs, and special store displays. Once the vendors get their products onto store shelves, they have to meet store sales quotas, typically two software copies per month per store, Pereira says.

"This effort has gotten us onto store shelves and has generated sales for me," he says. "My product is in seven chains and several individual stores and bookstores."

Originally, the group had intended to disband after six months, when the immediate goal of obtaining shelf space was expected to be achieved. Now, two years later, the council has increased in size and scope and is incorporating. Its plan is to expand to more retail outlets. ■

Software developer *Tony Pereira formed a group of more than two dozen firms like his so that together they could obtain shelf space from retailers.*

NEGOTIATING

Winning—Without Losing A Business Relationship

The deal you just negotiated is too good to be true, but will the price of winning be the loss of a valuable business relationship?

The answer can be yes when negotiating is conducted as a winner-take-all battle, says Roger Flax, president of Motivational Systems, a management consulting firm in West Orange, N.J.

You should approach negotiating with a win-win attitude, Flax says, achieving your objectives while making sure that your counterpart is comfortable with the outcome and that the relationship remains strong. Here are Flax's suggestions for win-win negotiating:

- Start with a pregame analysis of who has the upper hand, who needs whom more, who is facing a deadline, and who has more information.
- Learn everything you can about your counterpart's needs, goals, and idiosyncrasies.
- Build your plan around your primary objective, but clearly identify what the other side is likely to want and what you are willing to offer.
- Assess your counterpart's style, and adapt yours to his or hers. Let him or her do 80 percent of the talking. When you speak, try to convey confidence and decisiveness. Keep your voice down and your emotions out of the dialogue.
- Know how far you can go in the negotiations and when to quit. Work toward a resolution in which neither side feels coerced, manipulated, or ignored.
- End on a mutual high note with the understanding that a positive relationship will continue in the future.

Your negotiating style, says Flax, can affect not only the outcome of issues at hand but also future involvements. A win-win approach contributes to people's perception of you as a firm but fair negotiator. ■

NB TIP

Strategic Selling

If your salespeople place one call after another, pounding the keypad as soon as they have disconnected from the previous call, they are wasting opportunities to reflect on the experience and make improvements, says Art Sobczak, president of Business By Phone, Inc., and author of *Telephone Selling Report*, in Omaha, Neb. After every call, your salespeople should ask themselves two questions: "What did I like about this call?" and "What would I have done differently on this call?" Learning occurs not when you're engaged in an activity, he says, but afterward, when you take time to think about it. NB

Making It

Growing businesses share their experiences in creating and marketing new products and services.

Up With Young People

By Janet L. Willen

Ask W. James Hindman about his business, and he'll tell you about children. He'll describe the girl who can't look anyone in the eye and the boy who had never met anyone who had a job. He'll speak about children who are unwanted and children who are abused, children who live in despair for the present and children with no sense of the future. Then he'll talk about the children who enter his programs and go on to college and productive jobs.

You could easily mistake Hindman for a teacher, a social worker, or a psychologist. Actually, the chairman of the board and CEO of Youth Services International, in Owings Mills, Md., is an entrepreneur. Among his successes is Jiffy Lube International, which he sold in 1990. He intended to live in retirement, but as a member of a governor's task force on privatization, he visited a state-run facility for troubled youths in Maryland. That visit changed his life—and the lives of thousands of children.

Hindman says the conditions of the juvenile-detention center were deplorable. The facility was filthy and smelled of urine, with employees sleeping on the job and children looking out of locked cells in the middle of the day. "It was the kind of environment that would turn a kid to hate you and to have more hatred in his heart than you could ever imagine," he says.

Subsequently, he attended a policy-making conference and was surprised that the agenda did not include adjudicated youths. He was told there weren't enough funds, so those children were written off. "If no one else wants them, I'll take them," he decided.

Hindman looked for ways to solve what he calls a national problem by taking the approach he knows best—a business approach. Youth Services International was formed as a public company in January 1991. The company's mission is to create and manage rehabilitation programs for troubled youths in juvenile-service facilities. It now has contracts with six states to operate 12 facilities; 11 are in operation, serving 1,400 students actively and 600 more in follow-up programs. In the fiscal year that ended June 30, 1994, Youth Services International earned $2.1 million on revenue of $34.9 million, compared with a net loss of $1.6 million and revenue of $8.9 million the previous year. Hind-

Six years in an orphanage *as a child gave Jiffy Lube founder W. James Hindman special insight when he launched a company to help manage juvenile services.*

man expects revenue of $51 million by the end of the 1995 fiscal year.

The company operates in abandoned or underutilized facilities that it leases from states and renovates. Hindman estimates that Youth Services International has saved taxpayers $16 million in physical-plant costs alone.

Along with his business acumen, Hindman brought to Youth Services International his firsthand knowledge of institutional life. The son of a single mother, Hindman spent six years in an orphanage in Iowa. He says the structured environment instilled strong values in him.

Programs at his schools operate around what Hindman calls the three I's: intensity (a full day's schedule), integrity (doing the right thing even when no one's looking), and intimacy (students appreciating that they are lovable and sharing their feelings).

Students, 15 to 17 years old on average, usually enter through the courts, but some are sent by social workers because they have been abandoned or abused or their parents are in jail. Most stay about nine months. The staff-to-student ratio is 1-to-1. Discharged students can receive tuition aid and employment counseling. Of the 1,025 students who have "graduated," 780 have returned to high school, 162 have jobs, and 54 are in college.

Letters Hindman receives almost daily offer evidence that former students are thriving. One boy wrote that three of his neighborhood friends were dead, and he added, "Thank you for saving my life." A girl wrote, "Here I have learned self-discipline and that my positive behaviors will get me farther in life."

The many youngsters who leave his programs and do well have convinced Hindman that he was right not to write off these children. He hopes government and business leaders won't either. ■

Another Day, Another Dollar

By Michael Barrier

'December is the ugliest month of my life," Cynthia Parker says. That's not because she's a retailer who wilts under the Christmas crush. Rather, she heads a small Lafayette, Calif., company called Econoday. Its principal product—a thick, elaborate desk calendar—can't go to press until after the federal government releases critical economic data in mid-December.

To complicate matters, the Econoday calendar is, for most purchasers, a Christmas gift item. Since the calendars can't be distributed until January, Econoday provides greeting cards that its customers can send to recipients, telling them that an Econoday calendar is on the way.

Despite such apparent handicaps, Econoday has found an audience: The five-year-old company expects to sell more than 30,000 copies of six versions of its 1996 calendar; single-copy prices range from around $35 for the full-featured version to $10 for the smallest.

An Econoday calendar is not a gift item comparable to a calendar filled with, say, "Far Side" cartoons. It is, instead, densely packed with information critical to the bankers, brokers, and money managers who buy the calendar for one another.

Entries include everything from Japanese holidays to U.S. Treasury auction dates. The calendar's comprehensiveness and its ease of use have given it a niche in an industry that is otherwise overwhelmingly computerized.

Parker herself is a former San Francisco bank vice president who felt the need for such a tool while she was trading securities. She enlisted an economist and a computer programmer at the bank as partners.

PHOTO: GEORGE OLSON

The calendar *Cynthia Parker produces has won fans in San Francisco and elsewhere.*

"Everybody I talk to says, 'I wish I could have my own business,'" Parker says. "Everybody could, really; or they could at least try. But most people don't want to take that first step. What I've learned is that that first step really isn't so big. We each put in $2,500; we didn't do big brochures or anything. We sent a laser-copy image of one page" to a potential customer, "and they bought 1,400 copies."

All three partners kept their bank jobs until Parker quit hers in November 1993 to work for Econoday full time. Now, as the company's president, she works out of her home, concentrating on marketing.

To give itself a broader base, Econoday has begun taking individual orders through an 800 number—but it hasn't yet advertised for them, relying mainly on referrals.

Parker herself has begun branching out since leaving the bank by starting two more small companies of her own—one devoted to marketing, the other to a logging system for telephone calls.

She isn't fazed by suggestions that having perhaps a half-dozen companies going at one time might be spreading herself a bit thin. "There are so many successful people in the world," she says. "Do you think they only do one thing? I think not." Besides, she adds, many of her customers will be the same for more than one of her products.

Parker, 37, is a single mother; her son turns 3 in August. She finds working at home much easier to combine with motherhood than commuting was. She can go to her son's preschool during the day, for instance, "and watch what he does. There's no way I could do that if I were working in San Francisco."

And—like an entrepreneur who relishes being in charge—she even believes that being a single parent is easier than being married: "You get to raise the child the way you want; there are no arguments. My house is a really peaceful house—there's only laughter." ■

Something To Moo About

By Roberta Reynes

From the necks down, the Stonyfield Farm billboards were largely faithful to Grant Wood's familiar "American Gothic" painting. Pictured were a stern couple standing in front of a farmhouse, the husband clutching a pitchfork. But above the primly starched collars, the faces of a cow and a bull gazed out. The billboards told consumers that the Londonderry, N.H., yogurt maker opposes use of bovine growth hormone in cows to increase milk production. The billboards' caption: "Just Say Moo."

The 12-year-old company rented space last fall on six highway billboards in the Boston and Hartford, Conn., areas, and it also bought a few radio spots. The ad campaign—part innovation, part social conscience, part corn—exemplifies the company's marketing style.

The business was founded by two starry-eyed idealists—Samuel Kaymen and Gary Hirshberg. Kaymen, 59, grew up in Brooklyn on welfare and soon proved to be an engineering prodigy. By his late 20s he was a partner in a company supplying the defense and aerospace industry. He eventually walked away from his specialty and by 1983 was running an organic farming school and making yogurt in New Hampshire. He started Stonyfield Farm with $35,000 he had borrowed. Within months, he was joined by Hirshberg, 40, who had been running an environmental think tank.

The two oppose use of bovine growth hormone because they feel that increased milk production puts economic pressure on small family farms. They are also worried that use of the hormone is inhumane. Cows treated with the hormone have been found to have reduced pregnancy rates and increased incidence of infection of the udder. The U.S. Food and Drug Administration says such risks to cows are manageable. Other critics worry that the hormone's effects on humans who drink the milk haven't been adequately tested, but the FDA and the manufacturer of the hormone, the St. Louis-based Monsanto Co., say that no difference has been found between milk from cows that have been treated with the hormone and milk from cows that have not.

Stonyfield Farm's owners are a managerial odd couple. Kaymen—quiet, bearded, and modest—is chairman. He explains happily: "Gary thinks about the profits a lot more than I do. I'm the product guy." Hirshberg, the president and CEO, handles finance and marketing. Friendly and earnest, he was once described as "a salesman in an environmental crusader's body."

Roberta Reynes is a free-lance writer in Spencertown, N.Y.

Today, the 100-employee company has carved out a growing market niche in a business dominated by giant multinational companies. It has captured 1.8 percent of the national market and 8 percent in its home territory, New England. Sales have skyrocketed from $3.6 million in fiscal year 1990 to $25 million for fiscal year 1995, which ended in March.

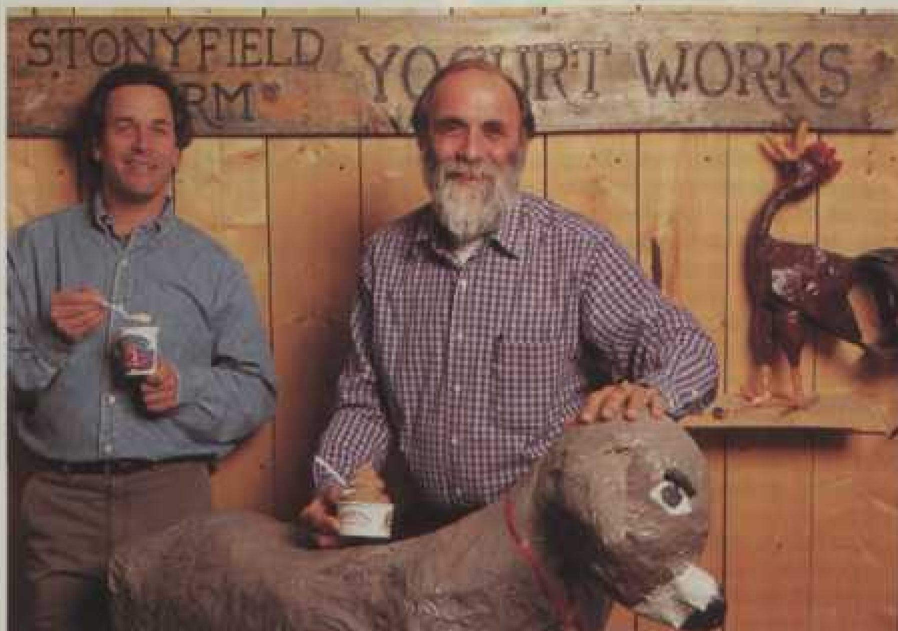


PHOTO: [illegible]—BLACK STAR

Social conscience *and good business sense have enabled Gary Hirshberg, left, and Samuel Kaymen to expand their Londonderry, N.H., yogurt business.*

Stonyfield Farm has caught the attention of buyers like Ken Hanshaw, a vice president at Ralphs Grocery Co., a 174-store chain based in Los Angeles. Hanshaw says: "Smaller companies that operate where giants control the marketplace tend to move quicker, to be faster to see another small niche. That's what happened here." Hanshaw adds that policies like avoiding additives in cow feed "develop the perception in the customer's mind that this product stands out from the other brands."

Marketing and a social conscience blend seamlessly in Stonyfield Farm's communications to customers. Yogurt packages, with their strong colors and bold graphics, emphasize the importance of recycling and supporting family farmers. A newsletter, sent to more than 50,000 people who have come to the visitors' center or written Stonyfield, carries "all the moos that's fit to print."

Hirshberg is convinced that a social conscience is a key to business success. "The buyers," he says, "know that a core number of their customers, a growing number, demand environmentally and socially responsible products."

The company gives the first 15 percent of its profits to an employee profit-sharing program, the next 10 percent to pro-earth projects, and in recent years, says Hirshberg, has "between 3 percent and 5 percent in after-tax profits" left over.

Current stability has been hard-won, however, as a result of miscalculations in fledgling efforts to balance the profit motive and social responsibility. Hirshberg recalls the worst moment: "About six years ago, we had a friend—a former organic activist—who had a small, struggling dairy plant. When we outgrew our first plant, we brought the extra business to him. We led with our hearts. This guy went under, very nearly taking us with him. For about 20 weeks, we were hemorrhaging $25,000 a week."

Since then, Stonyfield has refined its sense of "win-win." Hirshberg concludes: "In the long run, being a good citizen is what keeps consumers coming back. But if you get too deep into the 'mission' and forget the business, you are not going to be around." NB

COVER STORY

Hot Names, Top Dollars

By Dale D. Buss

Tony Zazzu has made at least one blockbuster decision in the licensing game: His company, Papermates Inc., started producing Power Rangers merchandise when the TV characters' popularity was blasting off.

Largely by selling Power Rangers pencils, sharpeners, stampers, and other school supplies under its Noteworthy brand, Papermates has boosted employment from 30 people two years ago to about 50 today. At the same time, the Chatsworth, Calif., concern has grabbed other profitable licenses, including The Mask, Batman Forever, Star Trek, and Barbie. Papermates' licensed lines generate "the glamour and glitz of our business," says co-owner Zazzu, and they bolster hope that still another blockbuster product is just around the corner.

Nonetheless, despite his success in licensed products, he says he is frustrated that he still hasn't snared a Disney property—a hot ticket in the licensing business. Disney's blockbuster movie release this summer, "Pocahontas," is the latest in the company's string of strong product-licensing vehicles. And he's also uneasy about his company's dependence on licensed merchandise for nearly half of its revenues. "Licensing gives you instant distribution of a product that's well-recognized," says Zazzu. "It opens up tremendous doors for you with retailers. The right people want to see you. The problem is, if they don't perceive it to be a strong property, there's not a thing you can do to make it successful. You live and die by the sword."

PHOTO: [illegible]

Properties *such as Barbie, Batman, and the Power Rangers bring "glamour and glitz" to Tony Zazzu's California toy-licensing business.*

Never before has product licensing offered such potential bounty for U.S. manufacturers. Driven largely by small firms, the field expanded by 5 percent last year to a record $70 billion worth of business in the United States and Canada, following a 7 percent gain in 1993 over the previous year. The figures come from *The Licensing Letter*, an industry-monitoring trade publication based in Brooklyn, N.Y.

"Licensing is hot because the consumer will buy it, and the consumer will buy it because it's got a favorite something that they like," says Beverly Cannady, a licensing consultant in Woodland Hills, Calif. "It's not new. We had the Shirley Temple doll and the Daniel Boone cap. But there are so many more media now, such as video games and all the new television channels, to give us this stuff."

Even with strong recent sales increases, however, licensing has slowed from its explosive growth in the late '80s. As the industry has matured, some retailers have complained that they're confused by the proliferation of licensed products, and they fear consumers may be befuddled, too. Meanwhile, licensors continue to increase the royalties they demand for popular properties. And, singed by players' strikes and worried about merchandising excesses, major professional sports leagues have

Product licensing—despite some potential pitfalls—represents terrific growth opportunities for companies of all sizes.

been quickly weeding out licensees.

Nevertheless, rivers of licensed products continue to pour forth from small companies across the U.S. Among the licensed products recently introduced by entrepreneurs are Nittany Lion perfume (honoring Penn State University), Forrest Gump chocolates (after the lead character in the Oscar-winning movie), Ricki Lake T-shirts (hyping the hot TV talk-show host), a TV remote control that looks like a National Football League playing field, University of Tennessee mascot-shaped pasta, and software that blurts out lines from "Star Trek."

Although pitfalls and frustrations keep many small concerns on the sidelines—or make them wish they had stayed there—product licensing still offers tremendous avenues to growth, particularly for entrepreneurial, nimble, innovative, high-quality manufacturers. "The opportunities for small companies in licensing are bigger than ever," maintains Karen Raugust, executive editor of *The Licensing Letter.*

For many small manufacturers looking to jump-start growth and open the tap on creativity, the appeal of licensing has become irresistible. "It's a way of taking a name with brand recognition and applying it to your merchandise without having to do the advertising and brand building that is so expensive for any company to do," says John Detar, owner of Unique Event Products Inc., in San Diego. His six-employee company, which produces inflatable toys, made about 90 percent of its $3.5 million in revenue last year from professional-sports licenses.

"There's 24-hour-a-day, constant reinforcement of your brand," says Hank Roth, co-owner and vice president of Fun Designs Inc. The company, in Duxbury, Mass., entered licensing four years ago. Today, his 25 lines of snack containers, printed sandwich bags, and other food-toting products carry licensed images of properties ranging from Barbie to Batman. The licensed products account for 80 percent of sales for the 14-employee company.

"If you're a small company and you're living by your ability to design creative and different products, rather than have to go out every year and sell new and different products, all you really have to do is change the license," Roth says. "You don't have to re-sell the concept every year."

Zak Designs Inc. is one of many small businesses built largely through licensing. The Spokane, Wash., company launched a generic children's dinnerware line 10 years ago and got its first license, for Disney's Chip and Dale Rescue Rangers, in 1988. Business really took off after Zak licensed Little Mermaid dinnerware (also based on an animated Disney character) in 1989: Revenues have increased 20-fold and employment 10-fold, to about 100 people, in the past five years.

"When kids want a character item, they'll want it over everything else on the market no matter the cost or where they have to go," says Irv Zakheim, president and CEO of Zak Designs. "They'll go to extremes to get it, and parents are going to look at it. And because our product is under $10 and aimed at 3- to 8-year-olds, many of the kids are even at an age where they can purchase it themselves. The power of licensing is incredible." This year, Zakheim is developing a line of adult drinkware for such properties as Coca-Cola and the 1996 Summer Olympics.

Key players in the licensing industry include entertainment companies like Walt Disney Co., Time-Warner Inc., and Viacom Inc. Their sway is growing apace with the continued expansion of the licensing of movie and TV characters and symbols, a product-licensing segment that wasn't nearly as active a few years ago. Last year, driven largely by the triumph of Disney's "The Lion King" and by the continued success of Saban Entertainment's "Mighty Morphin Power Rangers" TV show, entertainment and character licensing grew at a 9 percent clip, according to *The Licensing Letter,* far outpacing the rest of the business.

Such results have allowed the market to put out of its mind recent licensing busts like the movies "Batman Returns" (the 1992 sequel to "Batman"), "Dick Tracy," "Swan Princess" (the 1994 New Line Cinema release), and "Barney & Friends," the public-television children's show that flashed like a meteor across the licensing sky in 1993. "There was too much Barney merchandise too fast, and it wasn't top-quality," says a veteran licensed-goods manufacturer.

Sales of music-related licenses increased 8 percent last year, driven by strong merchandise sales tied to major tours by big-name artists such as Barbra Streisand and The Rolling Stones, the newsletter says. Licensing of toy and game properties, including

computer and video games, grew 7 percent.

Licensing's other major force—sports—is a mixed bag these days after heady growth for a decade. The baseball and hockey strikes took the wind out of the category. For example, Major League Baseball's licensing revenue last year dipped to $2.1 billion from $2.5 billion in 1993, its first year-to-year decline. Moreover, the slide is expected to worsen this year for the sport's 350 licensees as professional baseball suffers a huge attendance shortfall following settlement of the strike and the season's late start.

Concerns about quality and quantity are leading baseball and other professional sports to winnow peripheral products. Despite its rising popularity, hockey, for example, is cutting its licensee list by about 10 percent, says Michael Jacobsen, editor of *Sporting Goods Dealer* magazine. And in the past year, the National Football League has pared about 100 licensees, mostly of nonapparel novelties, to get down to 300.

This retrenchment is hurting small licensees in particular. The leagues prefer larger licensees that have large ranges of merchandise. Four years ago, the NFL liked John Detar's "inflatable helmets" so much that it gave him a license without requiring Unique Event to pay an up-front guarantee—a payment against royalties that licensees agree to pay licensors. "That would never happen today," says Detar.

CHART: MICHAEL ROOK

On the other hand, collegiate licensing is expanding, and some small licensees would rather piggyback on the enduring loyalty of the alumni of big schools like UCLA and Ohio State than deal with pro sports. It is estimated that more than 4,000 companies license some form of collegiate merchandise, mostly apparel, and that the number will grow as more universities diversify into nonclothing licenses.

Opportunities also are emerging with more and more nontraditional licensors. Pro players' associations are shopping athletes' images apart from the leagues. Other new properties range from the Canadian Mounties to the Ms. Foundation's National Take Our Daughters to Work Day to Hyperman, a new, IBM-created superhero science maven who is slated to have his own CBS Saturday-morning show this fall.

Entrepreneurs who want to delve into licensing should consider the following suggestions drawn from the experiences of business people and others knowledgeable about this dynamic industry:

It's Not All Fun And Games

Hakuna Matata—the "no worries" philosophy of some of the characters in "The Lion King"—definitely isn't the reigning attitude in licensing.

It can be a grueling business. For one thing, there are the continual irritations of working with often-demanding licensors, from perfecting a character depiction to trying to get the property owner to respond in a timely fashion so you can make sure your product is on store shelves at the projected peak of consumer interest.

Another pitfall is to be overlooked by retailers. One small-company owner, for example, says that he bombed in trying to sell Barbie merchandise because he was able to obtain a license for only one type of Barbie product, while for other properties he could get multiple licenses.

"If I'm offering a retailer a range of five to six products under one license and I only have one choice under Barbie, he's going to want the bigger assortment," says the licensee, who declined to be identified.

Another set of difficulties can crop up if the licensed image proves to be a flop—or becomes a big success. If sales don't take off, the licensee pays the costs, not the least of which is the advance guarantee on the royalty. And if sales skyrocket, the licensee could wind up with Jonny Lieberbaum's kind of problem.

Lieberbaum, owner of Swago T-Shirts, in Fort Lauderdale, Fla., says he defied the odds several years ago to become the first American licensee of "Speed Racer," helping revive interest in the animated Japanese cartoon series from the '60s.

But after his four-year deal with the licensor expired, the property owner negotiated a new deal that landed "Speed Racer" on MTV—and in a licensing deal with a shirt manufacturer much larger than Lieberbaum's company. That shift left him without any continuing return on his investment in the property. "And they even used my exact shirt design," Lieberbaum complains.

Licensees say the toughest aspect of the business, however, is for someone else to have control of the marketing that will determine much of the fate of your products.

Sheldon Morick, president and CEO of Janex International, which makes children's products under several licenses, says that so many potentially major cartoon and movie properties are being licensed for the remainder of this year and early 1996 that retailers may hold back on orders to secondary suppliers like his until they see what properties emerge from the pack.

The ultimate licensing frustration for a firm is a battle with its major licensor, as a New York City firm named Hot Wear has discovered. Hot Wear is licensed by the National Basketball Association to put team logos on the firm's Hot Hand basketball gloves, which are said to improve ball handling. Yet the league won't allow its players to wear gloves, so kids don't pay much attention to the products. Now Hot Wear's president, Mark Mirken, is waging a guerilla campaign to popularize the product. For example, he just obtained an agreement for players in the Puerto Rican professional league to wear Hot Hands.

Make The Initial Contact

Go directly to most major licensors to find out their requirements. The principal exceptions are colleges and universities. About 140 schools—small as well as large—work through Collegiate Licensing Co., in Atlanta, by far the market's biggest licensing agent.

Others, including Notre Dame, Georgetown, Michigan, Indiana, and Duke, handle their own licensing.

Although you can venture into this sometimes-quirky world on your own, you might be better off enlisting the help of a licensing consultant or an attorney—an expert who knows the field and has the relationships that can open those first doors for you. Expect to pay such an expert a retainer and a small percentage of sales.

PHOTO: ©TOM SOBOLIK—BLACK STAR

Sports licensees *Lori Horowitz, left, and Miki Kagan of New York sell apparel bearing the logos from baseball's old Negro Leagues, the NHL, and the '96 Summer Olympics.*

Definitely get seasoned advice if you're trying to evaluate a number of properties. "Seeking out and acquiring licenses can be a full-time job," says Sheldon Morick, president and CEO of Janex International, a Woodland Hills, Calif., company that makes licensed children's appliances. "You get a reasonable return from hiring a consultant."

Document Your Qualifications

The best candidates for major nationwide licenses have a track record in the target product line, distribute nationally, have good sales representatives, and can provide substantial documentation, including balance sheets. "Licensors don't want you to use their property to get into business; they want you already to be in business," says licensing consultant Cannady.

Your company also must demonstrate sophisticated and perhaps proprietary graphics and design capabilities. "The days of taking a decal and slapping it on a product are over," Cannady says. She notes, for example, the striking soft-plastic flashlights sculpted by Janex, one of her clients, in the shapes of cartoon and movie characters.

Finally, you also must convince licensors that your company can handle the boom that might come your way. "That isn't easy, because oftentimes the addition of a license for a smaller-tier company can really catapult them into the big leagues, where they might not have been before," says Neil Newman, vice president of marketing for Viacom Consumer Products, in Los Angeles. The company licenses properties such as "Star Trek" and "The Andy Griffith Show."

Know The Bottom Line

Typically, licensees agree to pay 5 to 12 percent of wholesale revenues to the licensor over the period of the agreement; the specific percentage depends on the industry and how hot the property is. Royalty agreements almost always include a guaranteed minimum return to the licensor and advance payment of typically 20 to 50 percent of that guarantee. Thus, for example, if revenues from a licensed product were expected to be \$1 million at retail, or about \$500,000 at wholesale, a small company might be able to get started by paying as little as a \$5,000 advance, or 1 percent.

The length of a typical deal is two years, with a general range of one to five years. If sales take off, all you owe the licensor is the fixed royalty, including the advance guarantee you've paid, until contract-renewal time; but if sales disappoint, you're committed to pay all of the guarantee anyway. Because of this, even a newcomer to licensing will take a handful of properties in order to spread the risk—hoping that even one moderate success will help cover the guarantees of any properties that turn out to be duds.

The stakes involved are getting higher for licensees because most licensors are raising royalties. For instance, the National Basketball Association is nudging its typical royalties from the high single digits to 10 percent and beyond, according to some licensees. And many well-received Hollywood properties now routinely are priced in the teens.

As Viacom's Newman says, the Starship Enterprise "does not get backed out of the garage for free."

Select Your Markets Carefully

In many market categories, small companies have little hope of swooping in and disrupting long-standing relationships between major licensors and existing big licensees. But many other segments are wide open to small manufacturers.

For example, for 23 years, Janex has succeeded at manufacturing and selling flashlights and battery-operated toothbrushes, book lights, and other children's products carrying images such as Mickey Mouse and Spiderman. "The big companies tend to leave us alone because we stay within our niche," says Morick, the CEO, whose company has about 10 employees. "We make practical products for kids which have value beyond being a toy, and larger companies aren't necessarily interested in that."

And by staying up to date on licensors' changing priorities, you can find new niches. Collegiate Licensing these days is searching specifically for nonapparel licensees and for companies willing to manufacture goods linked to some of the company's smaller

schools. For example, Collegiate just lined up licensees for Appalachian State University, in Boone, N.C., because retailers in nearby Charlotte were getting requests for school apparel.

In short, choose markets that are relatively unoccupied, and respond quickly to licensors' changes in marketing and product emphases.

Find A Lonely Niche

Of course, if you have an innovation that fits into a previously unoccupied niche and really tickles the fancy of a licensor, you can throw most of the other rules out the window.

That's how a small-company owner got MCA Universal to grant him a license for a patented water-powered watch tied to the new Kevin Costner movie, "Waterworld." That's also what Detar, the toy manufacturer, managed to do when he proposed to the NFL a seemingly incongruous new product: inflatable, softball-sized balls with team imprints. "It's not the shape of the ball, it's the association with a team or the NFL that makes them sell," he says. "The league was a little surprised when we brought them the idea, but they ended up liking it."

Star Trek is one property that "depends on smaller companies coming in with fresh products to keep licensing programs refreshed all the time" because the property is 30 years old and is being continually reinvented, Newman says.

Vincent Bitetti is principal owner of one Star Trek licensee, Sound Source Interactive Inc., a Westlake Village, Calif., company that produces synthesized sounds. From a $1 million company in 1991 with seven employees, Sound Source has been transformed at warp speed into a $4 million concern with 25 employees largely because of the success of its Star Trek Audio Clips software. The software attaches sounds to computer functions: Hear Spock say, "Computing now, Captain," every time you open a file, or Captain Kirk bark, "Get off my bridge!" when you eject a floppy disk.

"We just had an idea that no one else had thought of—or at least hadn't exploited in the same way," says Bitetti, who founded Sound Source in 1988. "Sometimes those kinds of things are right under your nose."

The Pasta Shoppe, a Nashville start-up, has burst onto the licensing scene with dry pastas shaped like university logos and mascots. The first varieties, University of Tennessee and Vanderbilt University pastas, proved so popular with alumni when the products debuted last fall that the company was planning to license the imprints of 33 schools by the opening of football season and to include teams of the nation's six biggest athletic conferences by Christmas.

Co-owners John and Carey Clarke Aron had left New York City software-development jobs with plans to start a fresh-pasta shop when Clarke Aron came up with the collegiate idea. "But because we were a new company," John Aron says, "we had to spend a lot of time with colleges making them understand that we were serious about managing the quality and the risks of being involved with a food product. They weren't sure at first that they wanted to bother with it."

Print-A-Shirt Inc. used to depend on licensed sports apparel for the vast majority of its sales. But as that business has become more competitive on the national scale, the 30-employee company, in Omaha, Neb., has deliberately pared sports licensing to about half of its revenues by redirecting itself to regional and event-related markets like the NCAA Final Four basketball tournament. "We thought we'd be better off in the long run focusing on what we were good at, and in this region of the country," says Jeff Huff, the firm's president.

Consider Taking A Risk

Another way to score in licensing is to place a big bet on an unproven property that you're convinced has big potential. The now-classic example of how well that sort of thing can turn out, of course, is "Power Rangers."

By all rights, the success of that property shouldn't have happened. Created in Japan, "Power Rangers" was brought to American Saturday morning TV in 1992 by Saban Entertainment, a children's programmer based in Burbank, Calif.

It was the entertainment descendant of "Teenage Mutant Ninja Turtles," some said, without the Turtles' exotic reptilian nature and engaging Valley-talking dialogue. Some experienced licensees, including Zak Designs, quickly passed on the Rangers.

Papermates' Zazzu didn't find Power Rangers instantly appealing, he says, but an executive acquaintance at Saban told him that the property was "getting very good attention by retailers. So we took a flier." Papermates was one of the few companies that got in on Power Rangers before sales tied to the property took off.

PHOTO: GREN TOUCHTON

Undervalued properties *have made money for Jonny Lieberbaum's Florida T-shirt company. "Most of the licenses I've bought," he says, "were just characters that I was into as a kid."*

Make The Sports Team

While entertainment licenses are demanding enough, many small licensees say that they draw the line at pro sports. While a manufacturer with even limited design capabilities can do a single Batman property, major pro-sports licensees must come up with a separate image for each team in the league, whether it's as simple as a decal or as complicated and expensive as a plastic mold.

"You can't come and say, 'I can make a really cool Orlando Magic hat,'" says the NBA's Land. "You need to be able to do it for all the teams, because they all share equally in licensee revenues."

The long strike badly damaged pro baseball of course, but licensees like Gordon Peele, president of P&K Products Inc., in Elgin, Ill., take the long view. His company licenses all major pro sports on wastebaskets, throw rugs, wall clocks, bumper stickers, and 30 other items. The baseball strike hit P&K hard, and Peele had to lay off 20 of his 100 production workers.

But Peele has been in the business for 27 years and has survived other player walkouts, including the 1982 pro-football strike, when NFL-licensed merchandise accounted for 70 percent of his business. "Now 90 percent of our manufacturing is sports licensing, so we really have no choice but to look at things optimistically," Peele says. "But fans are funny. They'll come back."

Try A Knockoff

One less-expensive way to tap into the fervor created by licensed properties is to create products that approximate them. For example, dinosaur-related items of all sorts did well when "Jurassic Park" dominated movie screens in 1993. And in the wake of "The Lion King," many companies have brought out generic products with wildlife themes.

In Brown Deer, Wis., 23-year-old Darrin Reasby got a deal for Starter Corp., the big NBA-licensed sports-apparel maker, to sell his clothing designs. But Reasby, who operates Mountaintop Design Inc. from his parents' basement, also plans to bring out his own GBA (Ghetto Basketball Association)

Disney Sets The Gold Standard

The granddaddy of family entertainment is, not surprising, also the granddaddy of American product licensing. Walt Disney Co. has been at it for 65 years and has built relationships with about 600 U.S. licensees.

"They're the license that everyone would kill for, largely because of their reputation with retailers," says Beverly Cannady, a licensing consultant in Woodland Hills, Calif. The retailer's opinion is of prime importance in licensing, and retailers know that Disney is basically an annuity, she says.

Before contacting Disney, make sure your idea won't be in competition with an existing licensee; ask Disney if there would be such a conflict. Thoroughly research what Disney already has in the stores.

You should also be prepared to demonstrate that your company has strong creative abilities and that you have a verifiable track record with retailers, bankers, and others who do business with you.

Don't hire an agent to deal with Disney; according to licensing professionals, the company prefers not to talk with intermediaries.

And Disney won't lend its properties to potential liability nightmares such as bicycle helmets and other products designed to provide safety.

Also, approach Disney only if you're willing to endure the rigorous demands of a relationship with one of the most persnickety companies in the world. Disney is legendary among licensees for its toughness, requiring manufacturers to tweak products seven, eight, or more times to get the depiction of a character or the colors just right. "The design of the product is going to go through a number of potentially frustrating and exacting approval steps," says Chuck Champlin, a spokesman for Disney's consumer-products division.

Disney's sweet dream: *The studio's ubiquitous Pocahontas character is on T-shirts, lunch boxes, even bed linens.*

Disney usually will grant a license for one year only, and its typical royalty is a hefty 10 percent of the wholesale price of the product, compared with the single-digit royalties that are the rule for less-stellar properties.

"We're not trying to be tough in any way, but the level of equity in the Disney brand is very high," says Chas Hermann, Disney's manager of merchandise planning. "When you get the Disney brand on your product, you get a lot."

The high retail value of the Disney name might open up "incredibly dissected" product categories tiny enough for the smallest licensee, Hermann says. The sunglasses market alone has several subcategories.

The company is even willing to do some hand-holding. For instance, it may test sales of a manufacturer's product line at one of its theme parks before signing a contract. And Disney licensing managers may provide tips on package design and marketing.

"Disney is the most selective and the hardest company to penetrate," says one East Coast licensee who asked not to be identified. "But they have the ear of the marketplace and the pocketbook of the consumer, and it's worth it to come up with new products for them. They make good companies better."

COVER STORY

What's Hot

Prognosticating the next "Lion King" is difficult. But here's what some experts have to say about the licensing potential of current and forthcoming major properties:

Negro Leagues: Apparel reflecting Major League Baseball's circuit for black players, defunct since the 1950s, is taking off, with team names like the Atlanta Black Crackers and the Kansas City Monarchs.

Auto Racing: Motor sports are sizzling, with attendance growth rates outpacing those of every other major sport. NASCAR licensees alone could sell $600 million worth of products this year.

MTV: Viacom is investing heavily in converting its rock-video channel into a marketing dynamo with everything from sex manuals to books based on MTV's "Beavis and Butt-Head" show.

"Pocahontas": Despite initial box-office strength, this property is not expected to set records in licensing sales, leaving "The Lion King" as the all-time champ.

"Batman Forever": The Caped Crusader shattered opening-weekend box-office records in June with "Batman Forever" from Warner Bros. While experts said the adult-oriented dark tone of 1992's "Batman Returns" dampened licensed-goods sales, the fact that "Forever" is much more kid-friendly helped get merchandise sales off to a strong start.

"The Hunchback Of Notre Dame": Due out next year, this Disney film is being compared with "Beauty and the Beast," the 1991 movie that did well for the studio and for licensees. A Disney spokesman promises an "endearing" protagonist.

Space And Science Fiction: The wing-and-a-prayer summer MCA Universal movie "Apollo 13," about the mission that almost ended in disaster, has spawned licensed products like mugs, pins, stationery, and even a telephone. Hoary but adaptable "Star Trek" looks to get another boost with a 30th-anniversary film release planned for next year.

Replica Jerseys: NFL Properties reports 75 percent sales growth last year in expensive shirts like those that athletes wear on game day, says *Sporting Goods Dealer* magazine.

Clothing Accessories: Disney says items such as character shoelaces and children's caps are its hottest categories.

Housewares And Office Products: In sports licensing, decorative goods such as wall hangings, picture frames, and lamp shades are just hitting their stride. Atlanta-based Collegiate Licensing alone hopes to boost nonapparel sales to 20 percent from the current 10 percent of clients' overall licensing revenues.

PHOTO: ©TODD BUCHANAN

The baseball strike *forced Illinois sports licensee Gordon Peele to lay off 20 people, but his business has bounced back from previous sports strikes.*

line with graphics reminiscent of the NBA.

Spread Your Bets

Holding multiple licenses can offer significant economies of scale. Miki Kagan and Lori Horowitz, co-owners of the apparel maker Identity Inc., in New York City, last year began making jackets for Major League Baseball's new Negro Leagues line. They picked up an NHL license at a trade show and soon added permits to make products tied to some colleges and to the '96 Summer Olympics. "It's cost-effective to have more than one license," Kagan says. "If you've got sales reps going around the country selling your goods to retailers, it's easier if they have more lines to sell."

Pick Only Winners

That's the toughest discipline of all, and it gets more difficult as available licenses proliferate. One particular licensing consultant, for example, is able to advise clients on nearly 250 different properties currently available.

So how should you select? Look at who's backing a property and scrutinize track records. If it's a children's license, always find out who has the master toy license; if it's a major company such as Mattel or Hasbro or Bandai, you may be on to something. Try to find out if peripheral promotions might boost the property's profile, like those by fast-food restaurants.

Consider pursuing old reliable characters—like Looney Tunes, Peanuts, Garfield—even if they're not especially hot sellers right now. If properties are unfamiliar to you, spread your investments among, say, five new children's TV shows instead of concentrating on just one.

Roth, of Fun Designs, conducts "focus groups" of children ages 4 to 10 who are schoolmates of his two young children. "We show them our drawings and product models, and they'll gravitate to the ones they like best. If they're excited about a character and they can articulate why, we take it the next step," Roth says. "It's not foolproof, and it's not scientific, but it works for us."

Jonny Lieberbaum, owner of Swago T-Shirts, in Fort Lauderdale, Fla., looks for "very undervalued properties. It's no different than what a Realtor would do with real estate." He also simply pursues what he's interested in. "Most of the licenses I've bought were just characters that I was into as a kid," he says. "It hasn't been any real science."

"The biggest companies out there have failed with licenses," Zazzu says. "They go through a whole marketing staff and all that research, but even they can never tell what the public is going to buy." In the end, he adds, "you hear the information that's being given you by the licensors, you probe around, and then you go on your gut feelings." NB

To order a reprint of this story, see Page 64. For a fax copy, see Page 53.

Downsizing The Cabinet

By James Worsham

Imagine the federal government operating out of the lobby of a big bank, with each Cabinet-level department having its own window, where it passes out money, hands down rules, dispenses advice and information, or just gives its approval to projects noble or otherwise.

At the Department of Commerce window, a small-business owner can apply for a patent, get a weather report, gather current economic forecasts, find out how to export a product, and hear about the latest technologies—or be counted by the census takers.

All of this is part of the current fare at the Department of Commerce, an agency traditionally thought of as business's voice in government and its seat in the White House Cabinet room. But these days, the department is facing death at the hands of a pro-business Republican Congress.

"The November election was a clear call for a smaller, more efficient, more focused federal government," says Rep. Dick Chrysler, R-Mich., chief House sponsor of the proposal to eliminate Commerce. "Our plan to dismantle the department delivers on this mandate."

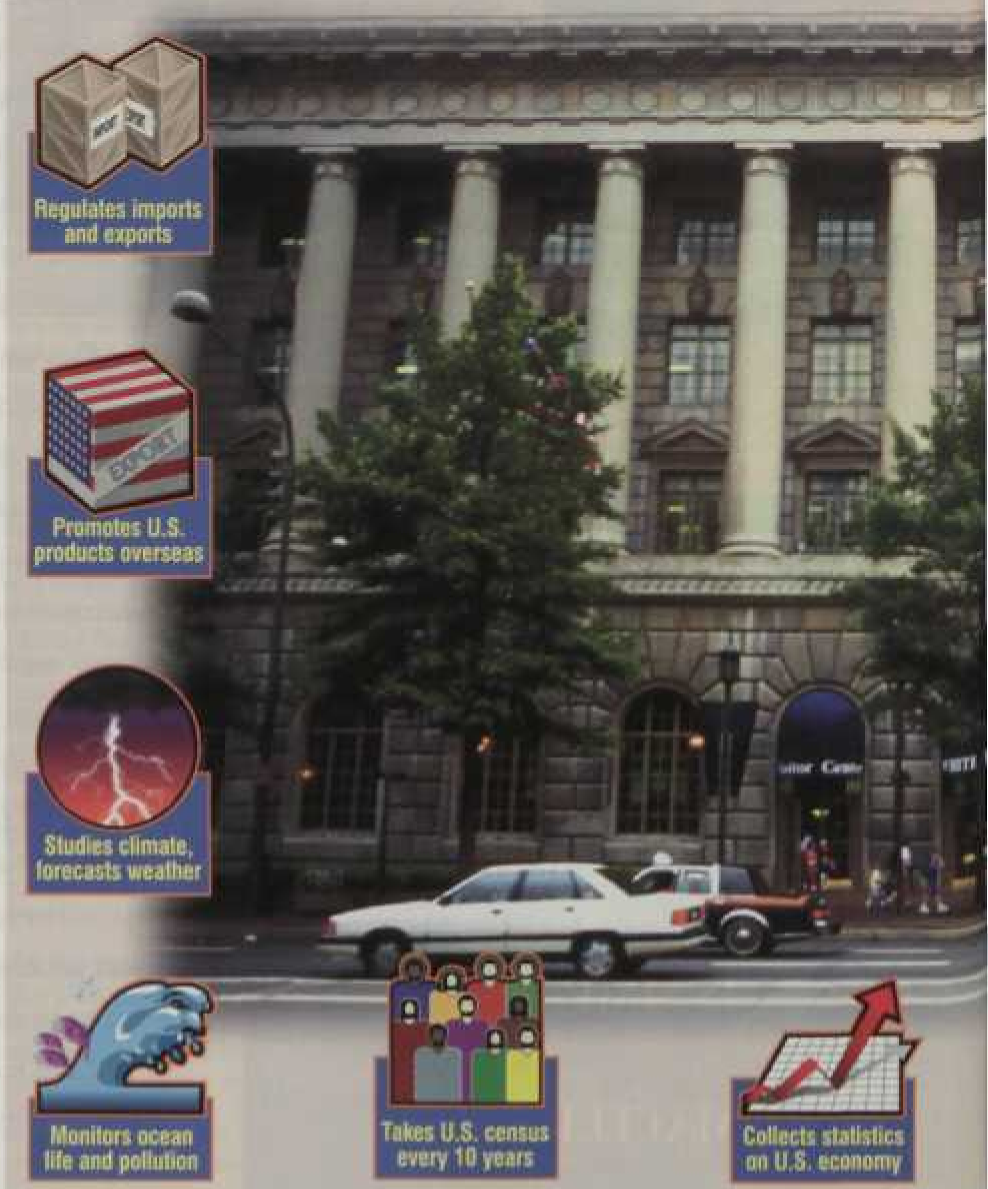
Chrysler's comments came this spring as he unveiled the plan to eliminate the 37,000-employee department, shift about two-thirds of its programs to other agencies, and end outright some of its functions. Scrapping the $4.2 billion-a-year department would save about one-third of its current costs, or $7.8 billion over five years, according to the Congressional Budget Office.

Sen. Spencer Abraham, R-Mich., has introduced a plan in the Senate that is virtually identical to Chrysler's.

The proposal to eliminate Commerce is a small part of the larger GOP budget-balancing plan to save $983 billion in projected federal spending over seven years. The final seven-year plan assumes Commerce's elimination, and early action on 1996 spending bills indicates it faces deep budget cuts next year.

The Clinton administration, which has used the Commerce Department extensively to promote U.S. exports and help U.S. companies win contracts overseas, opposes the legislation. In June, U.S. Trade Representative (USTR) Mickey Kantor wrote congressional leaders:

Major Functions Of The



"Congress should be extremely wary of proposals that would dismantle the integral linkage that exists among various Commerce Department programs that have successfully protected U.S. industries from unfair foreign competition, expanded U.S. export markets, and aggressively advocated U.S. business interests around the world."

If it goes, Commerce would be the first Cabinet department eliminated outright, although the Post Office Department was converted from Cabinet status to an independent agency in 1971.

The Commerce legislation would break up a department created to foster trade and give business a seat at the highest level of government. It was established in 1903 as the Department of Commerce and Labor, and it came into its own in 1913 when Labor got its own

The GOP's plan to eliminate the Commerce Department would transfer many functions to other agencies and would end the rest.

Commerce Department

Cabinet chair. The department's heyday came during the 1920s, when the secretary was Herbert C. Hoover, later the 31st president. As its chief, Hoover set up an aeronautics division and a radio division, both of which later became or were folded into other agencies.

Trade was emphasized more than it had been previously, and Hoover began to monitor the "balance of payments" for imports and exports as the Census Bureau was strengthened, setting the stage for the evolution of Commerce's current vast statistical reporting structure, including familiar economic indicators.

As Franklin D. Roosevelt replaced Hoover in the White House in the Depression, some New Dealers proposed abolishing Commerce. It was scaled back some, but it survived, and in World War II it set uniform standards for weapons parts and conducted civilian pilot training.

By the late 1940s, Commerce had shifted its focus inward. The Bureau of Public Roads was added in 1949, and Commerce oversaw establishment of today's national network of superhighways, a duty shifted in 1967 to the new Department of Transportation.

During the 1960s and 1970s, the Economic Development Administration was established to spur job creation in depressed areas, and the National Oceanographic and Atmospheric Administration (NOAA) was set up to consolidate various agencies concerned with the ocean environment, climate, and marine life.

In the 1980s, trade promotion received a higher priority as the U.S. began to face stiffer foreign competition and the trade deficit worsened. Today, however, only 4 percent of the department's annual budget of $4.2 billion goes toward trade activities, compared with about half for NOAA. Altogether, Commerce has the smallest budget of any Cabinet department.

While the assault on Commerce is most prominent as part of Congress' efforts to balance the budget and downsize government, it has more deeply seated ideological roots, too. "The Department of Commerce is an unwieldy conglomeration of marginally related programs, nearly all of which duplicate those performed elsewhere in the federal government," the House Budget Committee wrote this spring.

Indeed, the General Accounting Office, the investigative arm of Congress, notes that the Commerce Department shares authority with 71 other federal agencies.

"Why do we have a Cabinet department with no clearly defined mission?" asks Scott Hodge, senior federal budget analyst with the conservative Heritage Foundation, in Washington, D.C.

Hodge echoes the sentiments of many of Congress' ruling Republicans, who want to eliminate programs they see as examples of market interference or government's picking "winners and losers" among industries, with such Commerce programs as trade promotion and technology assistance.

Commerce Secretary Ron Brown, defending his department, has said such activities help the nation "by sharpening

our competitive edge through export advocacy and in supporting risky but highly promising technologies and research."

The Chrysler-Abraham proposal is still subject to change by various House and Senate committees, which are planning hearings this year. Here are highlights:

■ Most trade functions would be transferred. The Bureau of Export Administration's licensing functions would go to the State Department in the House bill and the Defense Department in the Senate bill, and enforcement duties would go to the U.S. Customs Service. Many International Trade Administration functions would be transferred to USTR. Domestic U.S. offices of the U.S. and Foreign Commercial Service, which helps U.S. firms with exports, would be closed.

■ NOAA, including the National Weather Service, would shift largely to the Interior Department after being trimmed down. Fisheries inspection would move to the Coast Guard, and seafood inspection to the Agriculture Department.

■ Telecommunications policy-making would end with the demise of the National Telecommunications and Information Administration, an advisory agency.

■ The Patent and Trademark Office would go to the Justice Department and be required to support itself through fees.

■ The Economics and Statistics Administration would be broken up. The Bureau of the Census would go to the Treasury Department, and the Bureau of Economic Analysis would go to the Federal Reserve System.

■ Technology assistance would be ended. The Technology Administration, which helps businesses incorporate new technologies into their operations, would be terminated.

■ Other functions slated for elimination include the Economic Development Administration; the U.S. Travel and Tourism Administration, which promotes travel within the U.S. and to the U.S. from overseas and which the department itself plans to end; and the Minority Business Development Agency, which provides data and technical assistance to minority firms.

Clinton administration officials oppose dismantling a department they have used to showcase trade-promotion efforts. And they reject arguments that Commerce is a collection of unrelated activities. "These functions are related to each other and to the central theme of economic growth," says Jonathan B. Sallet, director of the Office of Policy and Strategic Planning at Commerce.

Attacks on trade and technology programs, Sallet says, miss the point that the two are intertwined and important to boosting U.S. competitiveness. "It's backwards-looking to think that trade and technology are separate," he adds.

Some scholars on government say that eliminating Commerce may mark a noteworthy achievement for the Republicans but that the savings wouldn't be massive because many programs would simply be transferred to other agencies.

"It's the programs that cost money, not the bureaucracies that run them," says Don Kettl, a nonresident senior fellow at the liberal Brookings Institution, in Washington.

Kettl, also a professor of public affairs at the University of Wisconsin-Madison, says cutting out the department will do little more to fix government's real problems than "shuffling the boxes around and creating a lot of mischief."

Much of the concern about eliminating the department has come from those worried about the fate of its role in trade as the U.S. faces stiff new competition worldwide under new trade rules.

That's revived the idea of consolidating all or most of the government's scattered trade functions into one agency.

In the House, Rep. John Mica, R-Fla., was planning to introduce a measure in July to create a U.S. Office of Trade, which would combine the duties of several agencies, including USTR and Commerce, into one agency with Cabinet rank.

In the Senate, Christopher "Kit" Bond, R-Mo., is proposing to leave the International Trade Administration and the Bureau of Export Administration intact as a small Department of International Trade, rather than move them to USTR. Bond sees federal trade assistance as being especially important to small firms trying to export.

What Commerce Department functions remain intact—and where—isn't likely to be decided until later this year. But the plan to ax the agency has fueled the ongoing debate about what government should and should not do.

Moreover, this debate could be a preview of similar assaults on other Cabinet-level agencies in coming years. House budget writers also sought to eliminate the Energy and Education departments, but the Senate, at least for now, has agreed only to Commerce's demise.

Notes Chrysler: "This has never been done, so it's going to set the pattern for eliminating other agencies." NB

MANAGING

Adjusting Benefits For Family Needs

Firms discover that it pays to recognize differences in employees' situations at home.

By Sharon Nelton

Your sales manager needs the morning off to take an aged aunt, who lives with him, to the doctor.

Your vice president wants to add her spouse to her health-insurance coverage. He is quitting his job to become a househusband.

Your bookkeeper asks for parental leave to be with her "significant other," who has just had a baby conceived by artificial insemination. The two women have lived together for eight years.

Families. Many just aren't what they used to be. And companies are beginning to look at how to reshape policies, practices, and benefits to reflect that fact.

According to a study by Hewitt Associates, a nationwide compensation and benefits consulting firm based in Lincolnshire, Ill., less than one-fourth of U.S. households consist of "the traditional stereotype of a working dad, stay-at-home mom, two kids, and a dog."

More and more, employees are single parents, step-parents, individuals responsible for aging relatives, members of two-career households, or workers living with a "significant other" of the same or opposite sex. And each situation brings its own particular needs.

Why should an employer care?

"We ask a lot of our employees in today's marketplace," says Carol D. Hess, executive vice president for human resources and administration at Lancaster Laboratories, an analytical-testing laboratory in Lancaster, Pa. "Everybody's working hard and fast and furious and bringing a lot of their own energy into this organization. We want to give back. It's got to be a win-win for everybody."

Lancaster Labs has won national recognition for its on-site family center. The intergenerational facility provides adult day care for up to 25 elderly or handicapped relatives of employees as well as day care for 151 children, including infants. It also includes a fitness center encompassing not only a wide range of exercise equipment and an aerobic-dance room but also a full-court basketball gymnasium. The facilities are open to the community as well, but employees pay discounted rates.

PHOTOS: SAL DIMARCO JR.—BLACK STAR

Innovative *employee programs at Lancaster Labs include day care for the elderly and for kids as well as a fitness center, says human-resources executive Carol Hess, right.*

The daughter of the company's founder and herself a single mother who has used the child-care facility, Hess joined Lancaster Labs when it had only 50 employees. Today, it has more than 500, and Hess believes its employee policies and benefits, which have become more flexible and generous as the company has grown, have enabled it to attract employees who are "the cream of the crop."

The company's philosophies and practices recently also helped attract a buyer; Thermo Process Systems, Inc., in Waltham, Mass., acquired Lancaster Labs this year.

Hess credits the child-care center with Lancaster Labs' 94 percent retention rate of working mothers—up from around 50 percent before child care was introduced in 1986.

Patricia G. Ewert, president and CEO of Joseph Electronics, an electronic-parts distributor in Niles, Ill., uses flexible schedules and telecommuting to address the differing family needs of her 40 or so employees.

When two women in the company's four-person accounting department became pregnant at the same time, other employees grew nervous over how the work of the two would be handled after the babies were born. Ewert set up both women in their homes with fax machines, telephones, computers, and modems. "Mary came into the office on Mondays and Wednesdays and every other Friday, and Carol came in on Tuesdays and Thursdays and every other Friday," says Ewert. "But they were both still full-time employees."

Thanks to that arrangement, Ewert says, the new mothers became so efficient that she was able to eliminate one of the other positions in the department.

Companies like Joseph Electronics and

Lancaster Labs are "small enough to experiment, small enough to try some things, small enough to do elder care," says Frederick A. Miller, president and CEO of the Kaleel Jamison Consulting Group, Inc., based in Cincinnati.

Nevertheless, it's generally the larger companies that are taking the lead in adopting more-formal policies to address the new definitions of family. One of those companies is 3,500-employee UNUM Life Insurance Company of America, headquartered in Portland, Maine.

Last January, UNUM began to define domestic partners as family members in its programs and benefits. "We see a domestic partner as any adult—either of the same or opposite sex—who shares an emotional, physical, and financial relationship with an employee similar to that of a spouse," says Diane Garofalo, UNUM's vice president of human resources.

UNUM's new policy allows employees paid sick days or unpaid leaves of absence to care for a domestic partner who is ill, as well as bereavement leave if a domestic partner dies.

Next January, UNUM will join a short list of companies—estimated at fewer than 150 in the United States—that include domestic partners in medical, dental, and life-insurance coverage.

A number of obstacles stand in the way of companies extending health-care coverage to domestic partners. Cost is the biggest concern, but the Hewitt study shows that only 2 to 3 percent of all employees choose domestic-partner coverage when it's offered—far below the 10 percent enrollment rates that employers who offered it had expected.

To receive health coverage for their domestic partners, gay and lesbian employees would usually have to fill out forms that in effect would disclose their living arrangements, something they may be reluctant to do, according to Daniel B. Baker, Sean O'Brien Strub, and Bill Henning, the authors of *Cracking the Corporate Closet* (Harper Business, $23).

Smaller companies may not offer domestic-partner benefits because they cannot find an insurance carrier that offers them, the authors say. But they expect this to change.

Another drawback is that health-care coverage for domestic partners is taxable, while coverage for spouses and children is not, and that fact is not likely to change soon.

Nevertheless, Theresa Thompson, a Hewitt Associates principal, believes that providing benefits for domestic partners is a wave of the future, one being driven by the diversity of the work force.

Another big trend will be employees' need for help with aging relatives. "It's just beginning to surface," says Fred Miller.

As the work force grows more diverse, business owners can expect to face more challenges in coping with employees' complex needs. Here are some guidelines for meeting those challenges:

Listen to your employees. "You need to first of all create an open environment so people are comfortable asking questions or asking for things. Then listen to what their needs are, and ask them for solutions," says Carol Hess.

PHOTO: T. MICHAEL KEZA

Companies that respect *employees' family needs get more productivity in return, says consultant Fred Miller.*

Lancaster Labs surveys employees every year to learn which benefits are working, which are not, and what employees think should be added to the company's benefits package. "Then we use that information to make decisions for the following year," says Hess.

Strive for a corporate culture that respects differences. Both Carol Hess and Diane Garofalo say the policies they implement have grown out of the values that their companies hold. Hess says it's her company's policy to be accepting of employees whatever their family situation may be.

"We take our values statement, and we try to measure our decisions against that," she says.

Remember that meeting an employee's unique needs doesn't always cost money. Sometimes you can even cut costs, as Patricia Ewert found out when she arranged for the two mothers to work at home part of the time. Sometimes all an employee needs is a more flexible schedule.

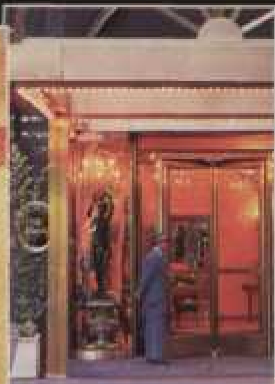
Regard work-life concerns as family issues, not women's issues. The fact that so many men now have working partners "creates demands on them like never before, so they sometimes have to go to the day-care and pick up their children or have to take the children to the doctor," says Fred Miller.

Be prepared to weather disagreement. Hess found, for example, that sometimes employees without children resented the employees with children, feeling that they were often covering for the ones who were parents. But "that slowly changes over time," she says, "because the people without children become the people with children, and the people with children—their children start to grow up, and so their needs may be different. It just kind of evolves."

Practice what you preach. Not long ago, Ewert took a week off to care for her ailing mother-in-law. That's just the kind of behavior Fred Miller would encourage. Rhetoric in support of family values is not enough; the leaders of organizations have to demonstrate that support through their own actions, he says. "They've got to bring their children into the offices. They have to be able to *not* schedule meetings at a time in the morning when people can't get there because they've got to drop their kids off at day care."

Adopting policies and practices that recognize the differences in employees' family situations does take extra effort. But the companies that do it find that the benefits outweigh the drawbacks.

Garofalo says UNUM is dedicated to providing employees with the flexibility they need. As a result, she says, "when they're here at work, they're committed and more productive because they can balance their life." NB

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Selling Off, Staying On

Here are things to consider if you want to share ownership of your company but remain aboard.

By Laura M. Litvan

Perched behind a desk littered with three-inch-high piles of mail and crinkled telephone messages, Leon Seidman seems every bit the frenetic small-business owner. The founder and president of the nation's largest catnip company tells how he built 20-year-old Cosmic Pet Products Inc. from scratch, all the while juggling a stream of phone calls to his Hagerstown, Md., office from customers and employees.

His wife and company vice president, Pam, sits nearby at a much neater desk, meeting with a local banker who has stopped by for an update on company finances.

From the looks of things, you'd never guess the Seidmans aren't completely in control of the business.

Although the Seidmans manage day-to-day operations, nine years ago they sold 55 percent of the firm to a larger pet-products company. Selling controlling interest was necessitated by mounting debt that threatened the 18-employee firm's survival, Leon Seidman says.

The decision wasn't easy for Seidman, who made personal sacrifices over the years to build his company, at one point dropping his auto and life insurance coverage to put more money into the firm. But Seidman attributes Cosmic Pet's explosive growth—from about $200,000 in revenues in 1986 to about $2.5 million today—to its partial sale to Four Paws Pet Products Inc., of Hauppauge, N.Y. The larger company has improved Cosmic's catnip distribution and competitive pricing of new products, he says.

"I regret that I wasn't smart enough and strong enough to do it all by myself," Seidman says. "But I'm not sorry I'm a success" because of the partnership with Four Paws, he adds.

Like the Seidmans, many small-business founders face tough choices about sharing ownership as their companies mature. Most entrepreneurs might at least ponder selling parts of their companies, whether it be a nibble at a time to small investors or in one bigger gobble if a larger company comes courting.

Surprisingly, however, working relationships with new co-owners are often not well thought out, small-business consultants say. While the Seidmans have a strong relationship with their co-owner, many entrepreneurs find their new connections trying and sometimes disastrous.

Shared ownership often brings a new culture of collaboration to a small company, and conflicts over differing expectations tend to result, says Thomas Hubler, president of Hubler Family Business Consultants, in Minneapolis. But taking pains to develop a relationship that works can make a company stronger, he says, if new partners have a mutual sense of trust and have complementary skills.

The Seidmans seem to have such a relationship with Allen Simon, the owner of Four Paws, although Leon says that, like a marriage, it has taken commitment and work. When Four Paws bought controlling interest in Seidman's company in 1986, there were a few minor personality clashes at first, he says. "Originally, he would say, 'Don't do anything without talking to me,'" Seidman says.

But the relationship has evolved into a hands-off one that seems to work well. Seidman now handles the matters he likes most, new-product development and packaging. Pam, who joined the company in 1979, oversees production and keeps the books. Simon touches base with them on long-term planning and competitive product pricing, and he says he is quite pleased with the Seidmans' day-to-day management.

It's still important for Leon Seidman to feel a sense of control. Like many company founders, he has tended to see the business as an extension of himself.

"For a while there, if it was the choice between buying a pencil for the business or a carrot for lunch, I would forget about the carrot," he says.

He started selling catnip, a fragrant herb that cats love, while he was a graduate student at the University of Maryland in College Park in the early 1970s. Seidman bought high-quality catnip grown in western Maryland, where soil and weather conditions are particularly favorable to the crops, and sold it to pet stores.

Demand was strong enough that he founded Cosmic Pet Products and was

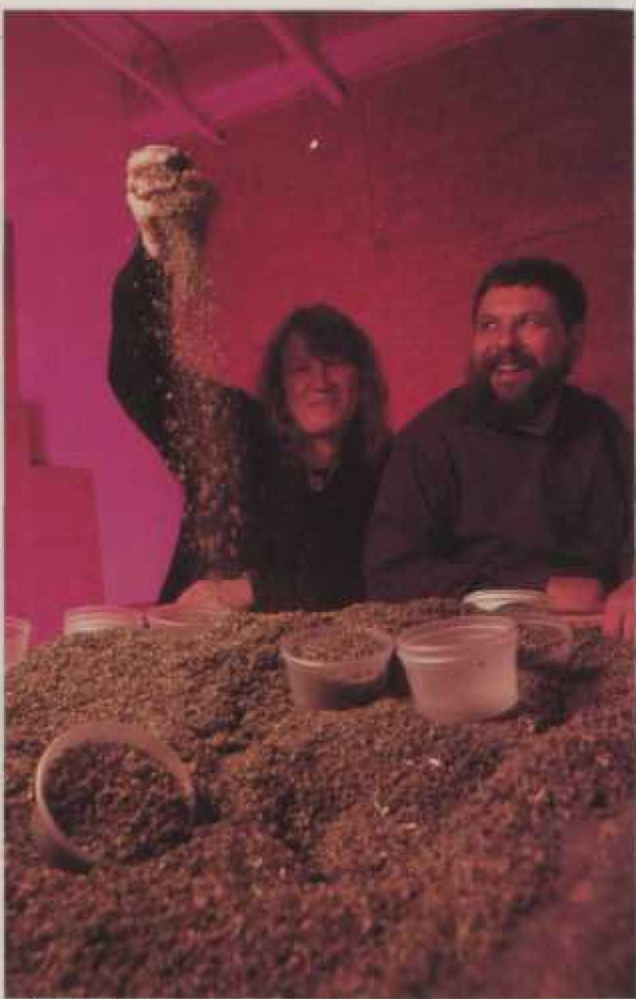

PHOTO: JUDY DOELL

Hands on: *Pam and Leon Seidman of Cosmic Pet Products check the catnip at the company they run after having sold most of the business to a larger firm.*

harvesting his own catnip by the mid-1970s.

Today, the company commands 60 percent of the U.S. market for catnip, and its products are sold in major retail stores. Among other things, Four Paws' salespeople have been touting Cosmic catnip products to clients during sales calls, and the larger company's industry clout has helped it get speedier payment for its goods, Seidman says.

This type of success, however, isn't always the case, warns Thomas Zanecchia, president of Wealth Management Consultants Inc., a Denver firm that advises business owners on partial sales of their companies. "When someone else is in control, these entrepreneurs often lose their reason for being. It's just not fun anymore," he says.

Zanecchia always advises his clients to either retain control of their firms after a partial sale or negotiate an option to later sell their remaining shares at a set price if things don't work out.

Small-business founders need to ponder all their options, he adds. Business owners don't necessarily have to yield an amount of day-to-day control that's equal to the proportion of the company they sell, he says.

For example, some investors don't really want voting rights at a company; they might be more interested in rights to appreciation or rights to an income stream, says Zanecchia. "Don't go into something thinking that you can't have your cake and eat it, too," he says. "Sometimes you can. It really comes down to how you structure the deal."

Small-business founders also need to explore business relationships fully with prospective partners before they agree to a sale, consultants say. "Any deal really needs to be thought out, or you could rue the day," says John Messervey, president of the National Family Business Council in Lake Forest, Ill.

Dan and Tim Price, brothers who own a growing automated phone-messaging company in Reston, Va., are entrepreneurs who have vetted arrangements with potential investors. The two launched Send-A-Song Corp. in 1991, a company that, for a small fee, allows a phone user to send an automated song and personalized message to someone else. But to get enough funds to advertise and invest in equipment, the Prices have had to share their dream of business ownership with about 40 other people.

Today, the brothers own only 40 percent of the company. Other investors range from individuals who have put in as little as $1,000 to a venture-capital firm and a midsize telecommunications company, each of which owns about 25 percent.

The Prices have weighed each prospective new partnership carefully to ensure that it will work for both sides. Sometimes this involves testing the waters first.

For example, in 1992, a direct-marketing company approached the two to discuss buying into Send-A-Song. The brothers suggested an alternative first: The marketing firm would have exclusive rights to tout the Send-A-Song service for a limited time. As it turned out, the brothers didn't feel the marketing firm fulfilled its commitments, and they pulled away from a long-term partnership.

In another case, in 1993, they were approached by VarTec Telecom Inc., a Dallas-based provider of long-distance telephone service. They met extensively with Joe Mitchell, VarTec's founder and president, and hit it off with him, they say. "Immediately, on a personal level, we felt very comfortable with the people who run VarTec," Dan Price says.

The alliance with VarTec has been among Send-A-Song's most successful. Among other things, Send-A-Song uses VarTec's telecommunications facilities in Dallas to house its equipment, so it no longer has to lease a facility from someone else. VarTec also touts Send-A-Song to its customers in monthly bills.

Today, Mitchell and four other investors join the brothers on Send-A-Song's board. Among other things, these partners help plot strategies for longer-term growth, says Dan Price. Mitchell, an experienced entrepreneur, says he and the Price brothers also have developed a personal "player-coach" relationship.

PHOTO: ©JOHN FULTON

In harmony: *Tim Price, left, and Dan Price, right, of Send-A-Song Corp. of Reston, Va., and Joe Mitchell, president of VarTec Telecom, in VarTec's Dallas telecommunications center. Mitchell's company bought part of the Prices' business, but the brothers still run it.*

Meanwhile, for the Prices, the feeling of mastery over day-to-day decisions is key, at least for now. Both quit other jobs to develop a small business. Dan, a former investment banker, is handling marketing and finance matters, while Tim, a former Westinghouse Electric Corp. engineer, handles technology matters.

"As long as we're doing a reasonable job and a few people that we know think we're doing a reasonable job, then we're fine," Dan Price says. "The trouble from a control standpoint is that if 35 people or so got together and all decided we were doing a bad job, they could boot us out. But I figure, if that happened, maybe we are doing a bad job and maybe we should be booted out."

Jokes Tim Price: "We know that they know we're the best ones to decide everything." NB

MARKETING

Bringing Them Back For More

A punch-card promotion can help a retail or service business build regular clientele and foster goodwill.

By Denise Osburn

"Make new friends, but keep the old; one is silver and the other gold." That's from a Brownie Girl Scout song, but grown-up business people can profit from such an approach as well.

"The lifeline of any business is repeat business," according to Ramon Avila, a marketing professor at Ball State University, in Muncie, Ind. "It is expensive to attract new customers. It's easier to get regular customers to buy more."

A punch-card promotion is one way to keep customers coming back. Such a program typically works like this: The company gives its customers a card—about the size and weight of a business card. The customer has the card punched or stamped each time a purchase is made. After a certain number of punches, the customer becomes eligible for something free—a product, a meal, a service—depending on the type of company offering the promotion. The customer turns in the completed card to get whatever is being offered for free.

Avila sees three main benefits of punch-card promotions: They help build regular clientele; they serve as advertising by reminding customers about the business; and they foster goodwill by rewarding regular customers.

There is a lack of hard data showing how much repeat business punch cards are likely to generate and how many companies actually use the promotions. Avila, however, has interviewed a number of customers of selected businesses who say they wouldn't patronize the businesses as often as they do if they couldn't take advantage of punch cards.

Having a punch-card promotion requires that the business owner be mindful of a few details. Businesses with multiple locations can run into a problem of keeping cards in stock at each outlet. Sufficient cards have to be printed for each location.

PHOTOS: KALLAN DETRICH

Customer punch cards *have increased traffic for Geoff Schutt, owner of Village Bean Barrel, in Tiffin, Ohio.*

Punch-card promotions are used by all kinds of businesses. Geoff Schutt, owner of Village Bean Barrel, in Tiffin, Ohio, gives his customers a Caffe Nero Coffee Club card. The card has 18 squares, each representing a half-pound purchase. When all of the squares on a card are filled in, the customer gets a free pound of coffee.

Cheryl Lavimodiere, manager of Wedgewood Driving Range, in Ottawa Lake, Mich., says golfers have their cards punched each time they purchase a bucket of balls. The range allows up to three punches a day. When a card has been punched 10 times, the golfer can exchange the completed card for a free bucket of balls.

Jim Reiff, owner of Brooklyn Coin Laundry in Brooklyn, Mich., inherited a punch-card program from the previous owner. Customers are given "Wash Cards" that have 10 circles on the front and the customer's name and address printed on the back. Each time the customer visits the laundry, a circle is stamped. After 10 stamps, the customer receives a free wash and puts the card in a bowl for a monthly drawing; the winner gets five free washes.

Business owners who use punch cards say the main goal is to encourage repeat business and help make customers happy. "We don't see it as a way of promoting new business," according to Lavimodiere. "It's simply done to reward customers."

Reiff says giving new customers punch cards often brings them back. "It is more effective than any other advertising we do," he says. "It gives you a reason to talk to new customers. You give them the card, and it gets them to return. I really think it keeps them from going to other laundries."

For companies that honor them, punch cards are simple but effective. Village Bean Barrel started its punch-card promotion about a year ago, and so far it has given away about 60 pounds of free coffee. "We're not giving away much, but we have increased traffic," Schutt says.

The cost of a punch card is the same as that of a 10-percent-off coupon for a 10-pound purchase, Schutt points out, "except with the coupon, we might never see the person again."

Keep in mind that punch-card promotions, like any form of promotion or advertising, can't take the place of quality and service, which customers rely on.

Says Avila: "Give good customer service, and reward loyal customers—the punch card is one way—and you'll keep good customers coming back." NB

Denise Osburn is a free-lance writer in Petersburg, Mich.

MARKETING

Launching Your Product

Reduce your risks of failure by planning every detail, from concept to communications.

By Roberta Maynard

The process of launching a product is fraught with opportunities for error, as Jim Morentz well knows. When starting EIS International 18 years ago in Rockville, Md., he announced that a new software product would be available on a certain date. It wasn't. It missed the mark by about six months, causing customers' anticipation to fizzle and the stress level inside the company to soar.

At the time, Morentz was developing emergency-management software; last April it was used to help manage the search-and-rescue operations following the bombing of a federal building in Oklahoma City.

As Morentz learned, mistakes aren't likely to spell doom for a product provided the development effort begins with careful planning and research. Such attention to detail includes defining the target market, evaluating the company's position in the marketplace, sizing up the competition, and studying trends.

Collectively, this information is a road map showing how to position the product, how to design and package it, how to advertise it, even whether to advertise.

Morentz didn't advertise his first product because research confirmed that his company had no competition in the field of emergency-management software. Even now, EIS has 5,000 systems in place compared with its nearest competitor, which has 12.

But competition is stiff for the firm's new offering, environmental-management and compliance software, rolled out in June. In that field, EIS is a newcomer, competing with about 200 companies selling various types of environmental products. As a result, EIS planned an aggressive ad campaign and brought in RMR & Associates, Inc., an advertising and public-relations firm in Rockville, to handle the launch.

RMR conducted an internal review of how people in the company viewed the product. The purpose was to uncover any significant internal conflicts about the software's market positioning that could blur the focus of the marketing effort. Next, RMR surveyed key customers, prospects, analysts, and editors of publications aimed at EIS's target audience to develop a sense of each group's level of interest in the product and its likely market position.

This type of research provides an objective look at the product—something most companies need. Says RMR's president, Robyn Sachs: "Often a company has a very different view of where the market is than what is the reality. ... Product development is so intense that often when it's complete, companies are too close to it and have trouble being realistic. We call it motherhood, and it can be dangerous."

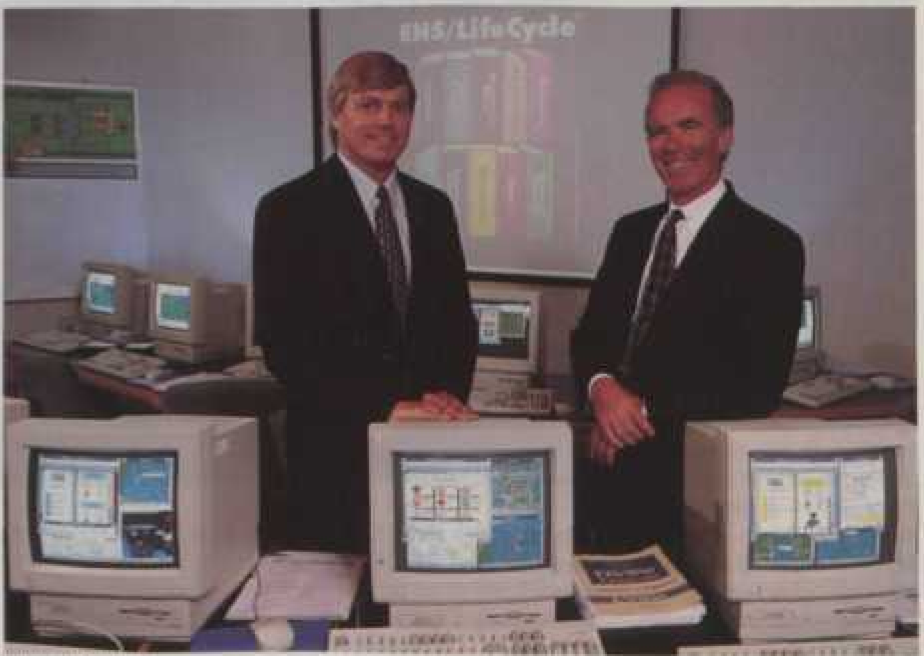

PHOTO: T. MICHAEL KEZA

Plan carefully *for a successful product launch, say EIS International's president, Jim Morentz, left, and William Boyle, product-development manager.*

Among the questions to explore is what prospective customers know about the type of product you're introducing. When launching EIS's first software product nearly 20 years ago, Jim Morentz found that virtually none of the emergency managers he contacted had computers, and few had ever even used one. So, as he visited countless local and state agencies, he had to sell not only his product but also the whole notion of computerization.

Another question to consider is whether the product would benefit from trading on the firm's reputation. This was an issue for Allen C. Warner when his Cleveland company expanded from selling replacement windows to manufacturing and installing replacement doors. Warner, the company's president, decided it was important to show consumers that the new product line was no fly-by-night operation but part of the Window Factory, which had established a strong reputation for reliability over 12 years. "Our own research—based on our practice of telephone follow-up with each of our customers—gave us the confidence to trade on our existing name," he says.

On the other hand, a company's reputation may not help at all, a situation faced by RogersCasey, one of the nation's largest pension-investment consulting firms, based in Darien, Conn. Early this year, the company called in Gillespie, a marketing firm in Princeton, N.J., to help launch an investment-software program targeted at small and medium-sized firms that need professional help with investing pension funds.

The product is a departure for RogersCasey, whose clients have always been

Small Company's New Golf Ball Flies Too Far; Could Obsolete Many Golf Courses

Pro Hits 400-Yard Tee Shots During Test Round

Want To Shoot An Eagle or Two ?

By Mike Hensen

YALESVILLE, CT – A small golf company in Connecticut has created a powerful, new ball that flies like a U-2, putts with the steady roll of a cue ball and bites the green on approach shots like a dropped cat. But don't look for it on weekend TV. Long-hitting pros could make a joke out of some of golf's finest courses with it. One pro who tested the ball drove it 400 yards, reaching the green on all but the longest par-fours. Scientific tests by an independent lab using a hitting machine prove the ball out-distances ten major brands dramatically.

The ball's extraordinary distance comes partly from a revolutionary new dimple design that keeps the ball aloft longer. But there's also a secret change in the core that makes it rise faster off the clubhead. Another change reduces air drag. The result is a ball that gains altitude quickly, then sails like a glider. None of the changes is noticeable in the ball itself.

Despite this extraordinary performance the company has a problem. A spokesman put it this way: "In golf you need endorsements and TV publicity. This is what gets you in the pro shops and stores where 95% of all golf products are sold. Unless the pros use your ball on TV, you're virtually locked out of these outlets. TV advertising is too expensive to buy on your own, at least for us.

"Now, you've seen how far this ball can fly. Can you imagine a pro using it on TV and eagle-ing par-fours? He would turn the course into a par-three, and real men don't play par-three's. This new fly-power forces us to sell it without relying on pros or pro-shops. One way is to sell it direct from our plant. That way we can keep the name printed on the ball a secret that only a buyer would know. There's more to golf than tournaments, you know."

The company guarantees a golfer a prompt refund if the new ball doesn't cut five to ten strokes off his or her average score. Simply return the balls–new or used–to the address below. "No one else would dare do that," boasted the company's director.

If you would like an eagle or two, here's your best chance yet. Write your name and address and "Code Name S" (the ball's R&D name) on a piece of paper and send it along with a check (or your credit card number and expiration date) to National Golf Center (Dept. S-892), 60 Church Street, Yalesville, CT 06492. Or phone 800-285-3900 anytime. No P.O. boxes. One dozen "S" balls cost $24.95, two to five dozen are only $22.00 each, six dozen are only $109.00. You save $40.70 ordering six. Shipping and handling is only $3.50 no matter how large your order. Specify white or Hi-Vision yellow.

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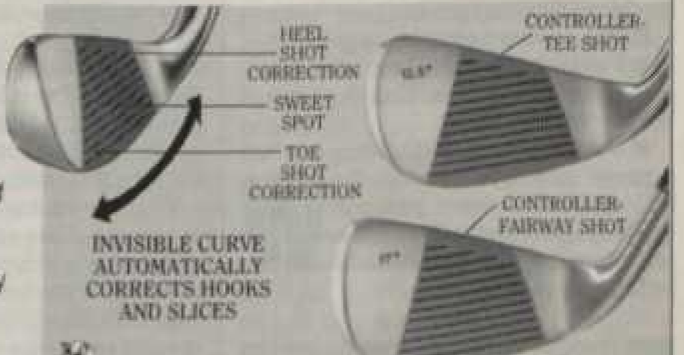

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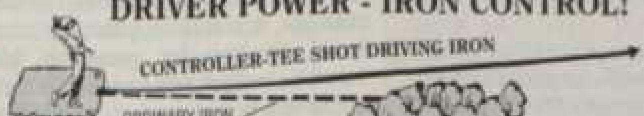

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large companies. Through focus groups and telephone interviews, Gillespie found that the target market for InvestWare didn't know of RogersCasey. Thus, highlighting the company name in advertising would be of no value.

Without a name to trade on, Gillespie advised, RogersCasey's best strategy would be to demonstrate the benefits of the product itself by getting it into the hands of prospective users. The firm ultimately sent some 30,000 copies of the software to target businesses for a 30-day trial and followed up with telemarketing.

Research helps firms develop consensus and focus, says RMR's Sachs: "Based on the research, we come up with a very clear, simple positioning line or tag line that captures the product's essence, a slogan that everyone can embrace and one that keeps a focus on the key element. That helps get consensus, which makes it possible to achieve a strong, consistent effort."

Once the positioning is nailed down, brand identity, logos, packaging—the entire communications plan—can be developed.

A firm may choose to turn over some or all parts of the launch to an advertising, public-relations, or marketing firm with relevant experience. Before doing that, advises Bob Dorr, Gillespie's vice president of technology client services, a company should:

- Have a well-defined product concept.
- Be prepared to provide the agency with necessary information about the company, its products, and its goals. (It is standard practice for agencies to sign confidentiality agreements.)
- Do necessary patent research.
- Establish manufacturer relationships.
- Have a business plan laying out funding of the product.
- Determine who in the company will approve concepts, product positioning, and so on. The fewer people who work with the agency, says Dorr, the easier it is to streamline the process and avoid watering down the message.

Timing of the launch may be incidental or critical, depending on what the competition is up to or how the market is shifting. Usually there's a sense of urgency because of the need to meet a perceived market demand, but the launch, the product, and your budget will all be better off if you have time on your side. "You don't want to give an agency unrealistic time to produce positioning and packaging," says Dorr. "Give your agency time to think it through, to rip it apart, and put it back 150 times to be sure that's the best possible way to launch the product. That's what they're paid for."

One to two years is an ideal amount of time to plan the launch, he says. At a minimum, a company should meet with its advertising or public-relations firm six months ahead of the launch date.

A last-minute approach will hamper the ability to get editorial or advertising coverage in the media, for example. The company may also need time to train its salespeople to handle the new product and ensure that distribution arrangements are in place.

Jim Morentz found that the very structure of his company had to be changed. EIS had 40 employees when planning began for the firm's newest product. "We knew we'd be 70 within 18 months, so we took the opportunity of the new product to re-engineer the company, a process that included creating a customer-support division and involving more nonproduct people in product planning," he says. He also hired a full-time project manager.

Waiting until the last minute to plan a launch can increase costs. The worst scenario Robyn Sachs encountered was with a large computer company whose executives approached RMR three weeks before they hoped to announce a new product at a trade show. "In that time," she says, "we had to develop product literature, set up interviews with the press, get product demos out. We had a team of 10 people working on it, and we pulled a couple of all-nighters to do it."

The result was a rollout that cost $75,000 instead of $50,000, primarily because of rush charges by printers and other vendors.

Every rollout strategy is dictated by budget, of course. The cost of a launch varies with the scope, the media used, the quality of materials, and so on. Your advertising firm should be honest with you and tell you if you don't have the budget to do the rollout as it was envisioned, says Sachs. If you don't, it may be possible to shift the target market rather than abandon the idea. For example, a company planning an educational product for preschool children found its budget was unrealistic for reaching such a broad market, so RMR recommended that the client focus on a smaller group—preschool educators.

"Part of the purpose of focusing is that a company shouldn't try to be all things to all people," Sachs says. More than anything, she says, focus and a consistent message are keys to a winning launch. NB

Product-Launch Time Line

Six Months Ahead

Background Research: Examine your marketplace and your position in it from both inside and outside the company. Talk to employees, editors, analysts, and key customers or prospects. Be realistic!

Five To Six Months Ahead

Outline A Marketing Communications Plan: Address where you are today (situation analysis), where you want to go (goals and objectives), and how you will get there (marketing vehicles such as advertising and public relations). Include budget and evaluation criteria.

Three To Four Months Ahead

Clarify Positioning: Where do you want to be positioned in the minds of your prospects? Develop a short statement that conveys the unique benefits of your new product or service. Use your "positioning line" on all your literature, press kits, ads, etc.

Prepare Literature: Have data sheets, brochures, and company information ready to go when you launch.

Prepare Advertising: Plan a media schedule that targets your core market, and prepare an ad campaign for the recommended media. Note: Magazines generally need advertising materials two to three months ahead of the publication date, so think ahead.

Two To Three Months Ahead

Consider A Press Tour: If your product is newsworthy, talking with editors can result in feature articles, which can enhance the product's credibility.

You may want your press release sent out by one of the several companies that distribute such information. Your public-relations or marketing firm can help you select one. It will cost $150 to $400, depending on how widely your release is distributed. Plan distribution for the day of your launch.

If people outside your business would not be likely to view the product as new and important, stick with press releases to editors. Plan to distribute the releases two to three weeks before your product's launch date.

Throughout Your Program

Plan for Consistency: Success in marketing communications depends on consistency over time. Plan to pound away on your target market, and chances are your product launch will succeed.

SOURCE: RMR & ASSOCIATES, INC., ROCKVILLE, MD.

To order a reprint of this story, see Page 64. For a fax copy, see Page 53.

TRANSPORTATION

Missing Links To Big Dreams

The biggest road bill since the interstate system was completed would improve highways—and speed commerce—nationwide.

By John S. DeMott

On the road map of his imagination, banker Alan Johnson sees a ribbon of superhighway stretching from his hometown of Harlingen, at the southeastern tip of Texas near the Mexican border, to Corpus Christi and on to Indianapolis. There it would link with an interstate highway that now connects with Canadian superhighways all the way to Quebec. It would be, as Johnson views it, a 2,000-mile trade corridor linking Mexico, the United States, and Canada.

And it would be just one of several commercially important improvements envisioned by federal legislation that designates the roads that would make up the National Highway System, or NHS. The proposal, which cleared the Senate and awaits House action, is the first major highway measure since the 1991 transportation law, which authorized completion of the interstate highway system, now almost 40 years old. The current legislation calls for spending $12.6 billion—half next year and half in 1997—for various improvements along 159,000 miles of federal highways, including the 45,000-mile interstate system.

The NHS is necessary for designating a "seamless transportation system to meet our economic . . . needs and to keep America moving well into the 21st century," says Bob Parija, the U.S. Chamber of Commerce's manager of transportation policy. The NHS, he says, will allow American business "to have products that are more competitive at home and abroad."

The NHS was conceived by the states and the Federal Highway Administration of the Department of Transportation. The legislation's provisions include improvements to roads serving 104 ports, 143 airports, 321 Amtrak stations, and 191 rail/truck terminals, as well as a small amount of new-road construction.

The chief Senate sponsors of the bill to designate and fund the NHS are Virginia Republican John Warner and Montana Democrat Max Baucus. A companion bill is to be introduced in the House. Both the Senate and the House passed similar legislation last year, but the measures died at the end of the 103rd Congress.

Lawmakers have until Sept. 30 to approve the ambitious NHS plan or face the loss of funding under the measure for fiscal 1996. The deadline was established in the 1991 transportation law. If the current bill isn't passed, the biggest losers likely would be the states that currently receive the most highway money: California, Texas, New York, Florida, and Illinois. At the very least, a missed deadline would put NHS on hold until Congress could act on the plan later.

PHOTO: BRAD DOHERTY

Faster truck shipments *from border to border would be a benefit of the National Highway System legislation, says Texas banker Alan Johnson.*

For Johnson, the Harlingen banker, as for many business people throughout the country, the time for Congress to act is now. The measure includes $420 million to upgrade two highways—U.S. 77 between Harlingen and Houston, and U.S. 281 between nearby McAllen and San Antonio.

Eventually, Johnson sees these improvements as leading to an "Interstate 69 corridor" linking Houston to Indianapolis and continuing on through Canada. The segment to Indianapolis is only on the drawing board and will take years to complete. From Indianapolis, I-69 already stretches to Port Huron, Mich., where it connects with Canadian superhighways that reach to Quebec.

The I-69 corridor's economic demographics are "stunning," says Johnson. About 80 percent of U.S. and Canadian manufactured exports to Mexico come from factories east of the corridor, and about four-fifths of U.S. imports from Mexico are consumed east of I-69. Improving roads between Harlingen and Indianapolis would allow easier and faster access for trucks moving goods from eastern manufacturing points to Canada or Mexico.

While the extended I-69 corridor is only a concept now, the NHS would immediately benefit the Rio Grande Valley, wherein lie McAllen, Harlingen, and Brownsville. Together they constitute one of the few—and possibly the largest—metropolitan areas without an interstate-highway connection. And those cities along with population centers just across the Mexican border, notably Reynosa and Matamoros, embrace a population of 3 million throughout an area of about 1,000 square miles.

For their part, small-business people in the Harlingen area sense the potential. Says Jim Fitzgerald, an owner of Tri-Pak, which annually makes and ships about $5 million worth of vegetable-processing machinery to markets in Florida, California, and Mexico: "We're sort of down here at the end of the earth. The NHS would let us get a . . . freeway into the Rio Grande Valley." NB

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Business Profile

Company name

Owner's name and title

Company address

City, State, Zip

Business phone | Business fax

Alternate contact name | Phone

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Brief description of products or services

Number of employees | Year established | Owner's signature

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RETAILING

Temporary Tenants

Pushcarts, kiosks, and short leases let retailers test their products' mall appeal before committing to long-term space.

By Randy Myers

The year was 1982, and Robert and Pattie MacCool were living the American dream. Three years earlier they had chucked their corporate jobs to sell Christmas ornaments and other seasonal goods in a shop at Harborplace, a retailing mecca along Baltimore's downtown Inner Harbor.

Then the managers of suburban White Marsh Mall approached the MacCools with an offer: Take a vacant storefront in our new mall until we find a permanent tenant, they said, and we'll cut you a break on lease payments.

The idea appealed to the MacCools: They would have a chance to try their concept in a traditional mall storefront without locking into a long-term lease.

The mall saw it as a good deal, too: It could fill a space, generate lease income, and add local retailing color to its tenant lineup without having to worry about whether The Ornament House could survive long-term.

"We went in there and wound up doing quite well," recalls Robert MacCool. "We stayed for six months."

Quite by happenstance, the MacCools became early participants in what has since become one of the hottest trends in merchandising: temporary retailing. Today, the couple operates four permanent stores in the Baltimore-Washington area, and at any time, depending on the season, they have six to 10 temporary locations in operation.

Sometimes the temporary locations are in what would otherwise be vacant storefronts. Other times they are in the now-ubiquitous pushcarts and kiosks that dot shopping malls.

"Ten years ago, there weren't 30 shopping centers that had an organized temporary-tenant program," says Robert A. Norins, president of Sales Dynamics Inc. of Cherry Hill, N.J. "Today I would say the number is up to 1,500." The firm manages temporary-tenant programs for shopping centers and publishes the *Mall Street Journal*, a trade magazine.

"It's a win-win situation for both the landlord and the tenant," says Mark Schoifet, spokesman for the International Council of Shopping Centers, a New York City-based trade group. Schoifet estimates that 75 percent of enclosed malls have temporary-tenant programs.

If you buy Norins' conservative estimate that those malls average 10 temporary retailers each and that those retailers generate an average of $175,000 a year in sales, the temporary-retailing phenomenon has grown into a $2.6 billion business.

"I've seen more and more of these kiosks and pushcarts popping up in shopping malls, so there must be a market for them," says Pamela Rucker, a spokeswoman for the National Retail Federation, the nation's largest retail-industry trade group. The federation has no statistics on the number of such units or on sales.

Moreover, the industry segment shows every sign of expanding. Since his experience was mentioned in a local business paper several months ago, MacCool says, "I've been approached by small companies and large companies trying to understand just what makes these temporary stores tick, so much so that I've begun consulting with several of them."

What does make a temporary location tick? According to Norins, the best examples share one or more of these characteristics: personalized merchandise, an opportunity for customers to sample the product, and products that can be demonstrated or used to entertain passing shoppers. Offering samples and entertainment appeals to the natural curiosity of shoppers: When one or two people stop to watch a

PHOTO: T. MICHAEL KEZA

Ornament House *owners Pattie and Robert MacCool operate from this flagship store at Baltimore's Inner Harbor, three other permanent locations, and up to 10 temporary locations.*

demonstration or try a product, others are likely to stop, too. Personalization appeals to the ego.

"Consider," says Norins, "the woman who sells pickle jars and paints a picture of your house with your name under it; you can't go into a store and get those."

What temporary retailers lack in size and purchasing power they can often make up with speed and agility. "When chain-store buyers go to a gift show in February, they're ordering for next Christmas," explains Norins. "An entrepreneur can go to a gift show in February and say, 'Send it to me in a week.'"

Shawna Heninger and her husband, Randy, jumped onto the temporary-retailing bandwagon three years ago when they quit their jobs with the Internal Revenue Service and started selling goods out of pushcarts at the giant Mall of America, in Bloomington, Minn. From their State Your Name cart they sold personalized key chains, and from their Marvelous Magnets cart they sold magnets large and small, everything from refrigerator magnets to magnets so big you would have trouble prying them off a refrigerator.

"We did very well, but after the mall's grand opening we saw that Marvelous Magnets was really not a cart idea," says Shawna. "So we opened a temporary location with 450 square feet of space, and the magnets did wonderfully there."

Encouraged by their success, they opened a permanent store for Marvelous Magnets less than a year later. "One thing we learned," says Shawna, "was that there are store ideas and there are cart ideas, and key chains are definitely a cart idea, and magnets are definitely a store idea."

But why?

As Shawna says, it has to do with customer needs, consumer attitudes, and the suitability of the merchandise to the location. Space limitations allowed the Heningers to display only a few hundred magnets from their pushcart, but in their small store they could display thousands. And while customers balked at spending $10 for a magnet sold from a cart, they didn't bat an eye at spending $100 for a magnet sold in a store—the type of environment in which they were more accustomed to making big purchases.

Key chains, the Heningers discovered, fit the mold for a successful cart product: They're small, they're inexpensive, they can be personalized, and everybody can use one. That makes them great impulse purchases.

Still, the Heningers had more to learn. "We got cocky," Shawna says. "We expanded State Your Name to San Diego, and we lost money very quickly. Then we opened another State Your Name in the West Edmonton Mall in Canada, and that one did well.

Keychains in a cart *are attractive to shoppers, as Shawna and Randy Heninger discovered at Minnesota's Mall of America.*

"What we learned was that for our concept to work, we needed a lot of foot traffic and a high percentage of customer turnover," in other words, tourists. "We need," she says, "new customers all the time because, after all, how many key chains does somebody really need?"

Today, temporary tenancy is being viewed as a low-cost way for entrepreneurs and established retailers alike to sell hot products and, for the latter, to generate additional store traffic. A pushcart or a temporary store costs less not only to decorate and stock but also to rent and operate. The Heningers' story illustrates how much less.

The Heningers pay $2,000 per month to the Mall of America to rent their pushcart (as is typical, the mall supplies the cart). That's all they pay until their sales exceed $13,333 per month; then they pay 15 percent of sales above that figure as additional rent.

In their temporary store, by contrast, the Heningers paid $3,500 rent per month plus 15 percent of sales over $23,000 per month. In their permanent store, they pay $4,000 a month base rent, plus 8 percent of annual (not monthly) sales in excess of $320,000.

One reason permanent space costs more: Permanent leases typically include a pro rata share of the cost for such items as maintenance and upkeep of common areas, as well as property taxes.

Apart from lower costs, temporary locations appeal to entrepreneurs, who don't have to provide the marketing plans and financial projections needed to persuade a mall manager to take them on in a permanent location.

Instead, entrepreneurs simply need to show that they'll operate their carts in a professional manner. To do so, they may have to produce an illustration of what their cart or storefront would look like (or a photo of a previous location), show samples of their merchandise, and give evidence that they can keep their cart stocked.

As appealing as such arrangements may sound, temporary retailers can't just waltz into a mall and make money without careful planning. Because temporary retailers try to squeeze all their sales into a short period, there's little time to correct mistakes once they've set up shop. It's also imperative that they present themselves to potential customers in ways that invite traffic.

If you're smitten with giving temporary retailing a try, veterans suggest that you get ready to work long hours (family and friends can help) and make sure you've negotiated a good, quick source of supply for your product.

"I've seen people open with 15 products, and they'll sell out of two within a day or two," warns Norins. "They don't know how to reorder. So they sit there for a month without their best seller."

Visit your potential location before signing a lease. The Heningers scout new mall locations thoroughly before taking up temporary residence, doing traffic counts and watching who passes by.

"We want tourists," says Shawna. "So we look to see if they're carrying bags. Are they shoppers, or are they mall employees? What are they doing? Are they looking around so that they'll notice our cart, or are they just walking through to get from one place to another?"

When temporary retailing works, the rewards can be tremendous. "If it's a good idea, you can truly run with it," says Robert MacCool. "It's kind of scary, but it's kind of exciting, too." NB

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REGULATION

A Small-Business Wish List

Delegates to the White House Conference agreed on a 60-point agenda for the administration and Congress.

By Laura M. Litvan

PHOTOS: DENNIS BRACK—BLACK STAR

SBA administrator *Philip Lader greets Vice President Al Gore, who addressed the 1,800 White House Conference delegates. At left is Alan Patricof, chairman of the conference. President Clinton also addressed delegates.*

In her address *to conference delegates, House Small Business Committee Chairwoman Jan Meyers said she would work to expand eligibility for the home-office tax deduction.*

Considering the first meeting of delegates elected to fashion a small-business agenda in the nation's capital, it was a miracle that it ever happened again.

Moments after the 1938 "little-business conference" began at the Commerce Department, pandemonium broke out as delegates began shouting their opinions and security guards proceeded to evict the more unruly ones.

"Trampled under foot were speakers' manuscripts, briefcases, photographers' bulbs, and an assorted variety of hats, coats, and gloves," reported the Washington *Evening Star.*

My, how times change. This past June, 1,800 delegates to a three-day White House Conference on Small Business converged on Washington, and with few disagreements they created a 60-point agenda that they hope will shape public policy into the coming century.

The delegates voiced entrepreneurs' perennial desire for less government, a sentiment that dates back far beyond that quarrelsome first conference. But they also stressed issues that have emerged in just the past several years.

Contributing to the 1995 conference debate was a proliferation of high-tech gadgetry that would have been fodder for science-fiction novelists when the first conference was held six decades ago.

Using on-line computer services and fax machines, delegates had already spent months negotiating with one another on particular issues, and they arrived in Washington needing only to smooth out the details. Some delegates used walkie-talkies and portable pagers to keep in constant touch with one another as they moved about in a downtown conference center.

"Before I even took issues to the national conference, I'd already discussed [them] with other people over America Online," said Robert Boylan, vice president of Banneker Industries Inc., a 15-employee company in Lincoln, R.I., that processes metal and plastic products for the aerospace industry.

Foremost for the delegates, according to their final votes, is their hope that Congress or the administration will clarify how employers determine whether workers should be classified as independent contractors or as employees for tax purposes. In the early 1990s, the Internal Revenue Service, using a detailed 20-part test, increased its auditing of companies to pinpoint misclassification of workers. Many small firms have been ordered to pay back taxes and penalties as a result of misclassification.

Another recommendation was to make business-meal expenses fully deductible. In 1993, Congress scaled back the deduction to 50 percent from 80 percent. Delegates also want limited health-care reforms, more-flexible regulations, and intellectual-property protections for businesses involved in overseas trade.

Franchisees and owners of home-based businesses, who make up a growing portion of the small-business community, succeeded in having some of their primary concerns included in the delegates' final recommendations. The recommended agenda is expected to be forwarded to Congress and the administration by Sept. 30. (For a summary of the recommendations, see Page 44.)

The June meeting was the second held since President Carter resurrected the idea of a small-business summit in 1980. Recommendations from the 1980 conference led to Congress' passage later that year of the Regulatory Flexibility Act and the Paperwork Reduction Act, two laws designed to lighten federal requirements. A small-business conference also was held in 1986 during the Reagan administration.

Delegates to the 1995 conference say they are optimistic that this year's summit will wind up being the most influential ever. The new Republican-controlled Congress is heavily courting small business, and in the wake of the GOP election

landslide last fall, the Clinton administration appears to be accelerating efforts to reduce regulatory burdens on small companies.

"I think there is an openness from Congress and the administration to small business," said Toby Malichi, president of Malichi Diversified Ltd., an Indianapolis-based international trade consultancy. Malichi, a member of the board of directors of the U.S. Chamber of Commerce, said: "The administration knows that it needs an engine to drive it to the next election and seems to be looking to small business. The Congress, with the Contract with America, has a strong foothold and is gaining momentum."

"Since the 1994 elections, Democrats and Republicans know that Main Street America has taken over," said Richard Casey, chairman of Professional Security Services Inc., a 300-employee firm in Cranston, R.I., that provides security guards. "Few things are more Main Street than small business."

Delegates who attended both the '95 and '86 conferences say one difference between the two was the presence this time of the president and vice president. During the 1986 conference, President Reagan was vacationing, and delegates booed a White House representative sent in his place.

"There's really more of a feeling among the delegates this time that they truly can forge an agenda that will have an impact," said Terry Neese, a two-time delegate and owner of Terry Neese Personnel Services Inc., a 12-employee management consulting firm in Oklahoma City.

Republican and Democratic leaders in Congress, including Senate Majority Leader Bob Dole of Kansas and Democratic Rep. John J. LaFalce of New York, were also out in force.

In a conference address, House Small Business Committee Chairwoman Jan Meyers, R-Kan., said she would work to allow more home-based business owners to qualify for a tax deduction for operating a home office, and she pledged to oppose any efforts to impose new mandates on small firms. "We are drowning in a sea of mandates," she said.

The administration made some promises, too. President Clinton pledged that efforts will be made to simplify complex pension regulations. The president said he would push to exempt firms with 100 or fewer workers from complicated pension nondiscrimination rules designed to ensure that rank-and-file workers are treated equitably in relation to highly paid employees. Many small-firm owners have complained that the rules' complexities have forced them to forgo efforts to improve retirement benefits.

Other administration announcements also focused on regulations. One was from Carol Browner, administrator of the Environmental Protection Agency, who said that beginning immediately the agency would give small firms up to six months to correct violations discovered during EPA inspections, with no threat of a fine. The policy will not apply to intentional infractions, which will continue to be pursued as criminal violations, she said.

PHOTO: BRUCE BUCHANAN

Business owner *and conference delegate Camille Haney at the Wisconsin Capitol, where she frequently lobbies for small-business concerns.*

Meanwhile, Philip Lader, administrator of the Small Business Administration, unveiled an on-line computer service, called U.S. Business Advisor, designed to help smaller firms keep tabs on regulations and eventually file their tax returns electronically. (To learn how to access the system, see Dateline: Washington, on Page 8.)

Nonetheless, the administration took some criticism at the conference. Some delegates, for example, had harsh words for Joseph Dear, head of the U.S. Occupational Safety and Health Administration, who participated in a discussion about enforcement of worker-safety and environmental rules.

One delegate, who identified herself as the owner of a small manufacturing concern, said that while the administration says it wants to develop a better partnership with entrepreneurs, "right now, it feels like you have your people and we have our people."

Dear said the agency is trying to rely more on voluntary compliance and will continue to try to make OSHA inspections less rigid for smaller firms. "We know that OSHA has become too focused on nit-picky violations," he said.

Meanwhile, many of the delegates proved to be adept at getting their issues onto the final list by building coalitions. In particular, minority- and women-owned businesses joined forces with franchisees and the self-employed, forming a voting bloc of about 900 delegates.

The coalition rallied around affirmative-action programs, particularly set-aside contracts for women- and minority-owned firms. The final list of recommendations includes strong support for set-aside programs for government contracts.

The conference's delegates reflected a broad cross section of small business, ranging from consulting firms to manufacturing firms to mom-and-pop retail stores. This year, for the first time, franchisees were allowed to attend, and their ranks constituted more than 6 percent of the delegate pool.

Women business owners constituted 38 percent of the delegates, up from about 33 percent at the 1986 conference, and minority business owners saw their share of representatives climb to 24 percent from about 15 percent in 1986.

The 1995 conference's 60-point agenda reflected some of the many changes that have occurred for the small-business community since 1986, delegates to both conferences said. Debate on issues this year suggested, among other things, an increased interest in international trade and the rising use of technology.

High-technology issues weren't on the front burner in 1986, said Madison, Wis., business owner Camille Haney, a two-time delegate. She owns Strategic Alliances Group, a consumer research firm, and Intergalactic Inc., a software-development firm. This year, she noted, there was great interest in future business use of the Internet and legal protections for information that is sent over on-line services. "This time," she said, "technology has been a very important issue because 100 percent of small-business owners are tremendous consumers of technology and information." NB

White House Conference's Policy Recommendations

Here are highlights of recommendations developed in June by entrepreneurs at the White House Conference on Small Business:

Access To Capital

The federal government should adopt incentives to encourage pension plans and other retirement vehicles to invest more in new businesses.

Individuals who sell assets or stock in a small business should be allowed to invest the capital gains tax-free in the purchase of another company if the purchase occurs within a year of the earlier asset or stock sale. The federal government should work with states to establish uniform laws governing small-business stock offerings.

Independent Contractors

Congress should pass a law to clarify how businesses should determine for tax purposes whether a worker is an employee or an independent contractor. Entrepreneurs find a current 20-factor Internal Revenue Service test to determine tax status confusing.

Regulatory Reforms

Federal agencies should not issue new rules unless the benefits outweigh the costs and unless it is shown that the rules would protect the public from the most significant health risks.

Property owners should be compensated if regulations reduce the value of their property.

Congress should amend the Regulatory Flexibility Act of 1980, which requires agencies to determine the impact of proposed rules on small firms and rewrite the rules if they create too heavy a financial burden on such firms. Under the proposed amendment to the law, federal judges, when petitioned by private parties, could order an agency to rewrite a rule to reduce its burden on small business.

Also, small businesses that report—as is sometimes required by law—their own violations of health, safety, or environmental rules should be allowed to address such problems without being fined by inspectors, and there should be no fines for any first-time violations.

Congress should reform the Superfund law governing clean-up of toxic-waste sites to prevent small businesses from being caught up in a web of liability.

Information Superhighway

Congress should ensure that legal protection of intellectual-property rights is extended to information transmitted over the Internet. Small businesses should serve on advisory committees that would map the future of the information superhighway.

Taxes

Congress should allow a 100 percent tax deduction for the cost of business meals. The deduction was reduced to 50 percent from 80 percent in 1993.

Also, Congress should not raise taxes retroactively, and any tax increase should require a two-thirds "supermajority" vote in both the House and the Senate. Congress should reduce the tax rate on capital gains, eliminate estate taxes, and adopt a flat-tax approach for individual income taxes.

Deficit Reduction

Congress and the administration should take whatever steps are deemed necessary to eliminate the federal budget deficit. One step should be a phaseout of Social Security, instead allowing individuals to divert the taxes they currently pay into individual retirement accounts or 401(k) plans.

International Trade

The federal government should continue to increase its efforts as an information resource for small firms seeking trade opportunities. Also, the U.S. Trade Representative should seek uniform international standards governing registration and enforcement of trademarks and trade names to protect intellectual-property rights.

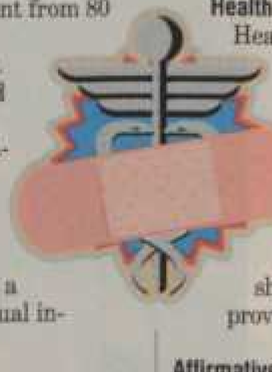
Tort Reform

Noneconomic damages in product-liability lawsuits should be limited, in keeping with measures passed by both houses of Congress. The Senate bill would cap punitive damages at twice the amount of compensatory damages, or $250,000, whichever would be lower; the House cap would be three times economic damages or $250,000, whichever would be lower. In tort cases, a "loser pays" approach should be applied. The prevailing party would recover legal fees from the losing party.

Home-Based Businesses

The self-employed should be allowed to deduct 100 percent of their health-insurance costs. Currently, they may deduct only 30 percent. Entrepreneurs should be able to qualify for tax deductions for the costs of running a home office by passing legislation to reverse a 1993 Supreme Court ruling that essentially limits the deduction to those who conduct most of their business activity at home.

Health-Care Reform



Health-care reforms should focus on matters such as shared financial responsibility between workers and employers, patients' choice of physicians, portability of coverage from job to job, and a ban on denial of coverage for preexisting conditions. There should be no mandates that firms provide coverage for employees.

Affirmative Action

Affirmative-action programs, including the Small Business Administration's 8(a) procurement program, which reserves some government contracts for minority- and women-owned businesses, should not be abolished.

However, Congress should establish strong sanctions against companies that allow themselves to be used as "fronts" for other businesses that aren't qualified to participate.

Franchisees' Rights

Enact comprehensive legislation to strengthen the rights of individuals who buy a franchise. Among other provisions, the legislation should hold franchisors liable for existing franchisees' losses when franchisors license or open competing franchises nearby.

Pension Reforms

Regulations governing retirement plans should be simplified so more small companies are encouraged to offer pension plans and other vehicles such as 401(k) plans. Small-business owners find current rules too complicated, particularly rules governing "nondiscrimination" in the levels of benefits given to highly compensated executives compared with benefits for rank-and-file workers.

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OBSERVATIONS

How One Family Benefited From Counseling


PHOTO: T. MICHAEL KEZA

By Sharon Nelton

Most business families think it's smart to call a lawyer, an accountant, a banker, or some other professional when they need help with a business issue—or an electrician when the wiring doesn't work. But some feel a sense of shame or failure if they can't solve personal problems without outside help.

Not Arty, Rosann, or Gary Levy. When interpersonal problems threatened their family and their business four years ago, they turned to a family therapist for help. And they're glad they did.

Arty, 56, founded Arthur D. Levy & Co., a New York City accounting and business consulting firm, in 1981. Within six years, both his wife, Rosann, 53, and their son Gary, 30, had joined the company. Arty is senior partner, Rosann is marketing director, and Gary is managing partner of the 12-employee firm.

What motivated them to get counseling?

"We kept tripping over the personal issues in trying to get the business to go forward," says Arty, who, with Rosann, founded an organization of family firms called the Family Business Council of Greater New York.

"We all have pretty large egos here," adds Gary. "We all believe that we know the best way to do it, the quickest way, our way is right." In short, he says, family members were butting heads.

Rosann found herself caught between a CPA husband and a CPA son who were having conflicts with each other. "Gary would come to me and say, '[Arty] did this,' and then Arty would come to me and say, '[Gary] did that.'" She felt pulled in two directions: "It was very difficult being the wife and the mother." She suggested counseling, and Arty and Gary agreed to give it a try.

How has it helped? From Gary's perspective, counseling has facilitated a transition enabling him to gain more control and more knowledge about things that were going on in the business. Initially, he says, "Arty viewed me as his son and an employee, and he felt he had to look out for me and protect me and mentor me." Rosann agrees, saying the counseling helped them gain respect for one another and recognize one another's talents and expertise.

Counseling, says Arty, has "definitely kept us together. I don't think we would be in business today, certainly not in the form we're in, had we not gone through the counseling."

A "major turning point" came, Rosann says, when they were at the therapist's office and Gary wasn't sure he wanted to stay in the business. Arty, she recalls, said: "The door is open for you. I'd rather keep you as my son than have you as an enemy in business."

"It was a very painful time," Rosann says. "Gary had to go through some decision making to see what he wanted to do. But we plowed through."

The Levys agree that the counseling enabled them "to take the business to the next level," making more money, becoming more focused, instituting some much-needed structure, and making it possible for the company to develop expertise in specific industries and choose clients more selectively.

Areas of responsibility are more clearly defined. Decision making has also improved; going to the counselor, Gary says, "gives us time to mull over and really think about the ramifications of some of the decisions we're going to make."

What of those business families that need such counseling but refuse to seek it? Put your egos aside, advise the Levys. "It's the stronger, wiser person who recognizes that if they can't resolve the issues among the family or in the business together, they need—for survival—to go and seek outside help," Rosann says.

If there's a resistant family member, go without that person. "Some help is better than nothing," she says. ■

MARK YOUR CALENDAR ✓

Aug. 2, Nationwide

"Planning for the Next Generation: Your Future and the Future of Your Business" is a free satellite seminar featuring *Nation's Business* columnist John L. Ward. It is sponsored by the U.S. Chamber of Commerce and Edward D. Jones & Co. To attend in your area, contact Kathy Strange at 1-800-441-1384.

Aug. 22, Chicago

"The Quarterly Estate Tax and Family Business Planning Update" is a two-hour seminar free to CPAs, $25 for others. To be repeated Aug. 24 in Naperville, Ill. Contact Bradley K. Walton, MassMutual Family Business Initiative, at (312) 380-8700.

Aug. 24, Ann Arbor, Mich.

"Family Business Succession Planning: The Human Aspects" is a seminar for family-business owners and managers. To be repeated Sept. 21. Contact Sullivan & Sullivan, 455 E. Eisenhower Parkway, Suite 120, Ann Arbor, Mich. 48108; (313) 769-8000.

Sept. 12, Southfield, Mich.

"What To Do When You Can't Agree" is a day-long meeting featuring Zena D. Zumeta, former president of the Academy of Family Mediators. Contact Rick Segal, chairman of the Family Business Council, at (810) 353-5600.

Oct. 11-14, St. Louis

"Family Business: Gateway to the Future" is the theme of the annual conference of the Family Firm Institute, an organization of professionals who serve family businesses and of family-business owners. For information on the conference, call the Family Firm Institute at (617) 738-1591.

How To Get Listed

This list of family-business events features national and regional programs that are open to the public. Send your item three months in advance to Family Business, Nation's Business, *1615 H Street, N.W., Washington, D.C. 20062-2000.*

Sorting Out What's 'Equal' And What's 'Fair'

"I've always tried to treat my three children equally," says Bud Arthur, 66, "but now I'm not so sure that treating them equally is really fair."

As a young man, Bud was delighted when he finished his residency to join his father's medical practice. His father was a charming country doctor who had a special relationship with his patients. Bud enjoyed a similar relationship with his own patients. Together, they developed an extremely lucrative practice.

Since none of his three children desired a medical career, Bud decided to sell the practice last year and retire. His former wife remarried years ago, so Bud was able to provide for his three children in a way he thought was fair and equitable. About half of the profit from the sale of the practice was put into trust funds for each child, and the balance was used to supplement Bud's retirement plan.

All three children, now in their 30s, are independent. Carrie, the oldest, holds a top-notch marketing position with a large computer manufacturing firm; Bob is doing well in state politics; and Brad, the youngest, an entrepreneur, started his own computer software company two years ago. Bud has been doing part-time administrative work in Brad's business since he retired, and he shares his son's excitement about its long-term potential. Now he would like to contribute financially to Brad's company.

"I may have been a good doctor, but I don't know much about planning techniques for transferring our family money," Bud admits. "How can I help Brad financially and still be fair to Carrie and Bob?"

ILLUSTRATION: TROY THOMAS

Options Are Available

Bud Arthur is facing an age-old dilemma that many parents face—that of the "equal versus fair" disposition of wealth among children. Bud has already provided for his children on an equal basis by funding a trust fund for each of them. He now has several options to help Brad financially and still be fair to his other children. He can:

■ Lend money to Brad to help grow the business. The balance of the note would be part of Bud's estate, in which all three children could share equally.

■ Gift funds to Brad now for the business. He could "even things out" by designating other assets for Carrie and Bob to receive at Bud's death. He can also fund a life-insurance trust naming Carrie and Bob the beneficiaries to replace the wealth previously provided to Brad during Bud's lifetime.

■ Capitalize a corporation with Bud's personal funds and Brad's business assets, issuing preferred nonvoting stock to Bud and common voting stock to Brad. Bud can gradually gift his shares to Carrie and Bob, who will eventually receive dividends, while Brad receives a salary, control of the corporation, and future appreciation of the enterprise. Bud's estate plan can distribute any remaining preferred stock equally to all three children.

■ Fund a family limited partnership (FLP) with cash from Bud and business assets from Brad. Bud and Brad would become general partners, controlling the operations. Bud could gradually gift units of the FLP to Carrie and Bob, who would receive cash flow but not control the business. At his death, Bud could leave any of his remaining units in the FLP in equal shares to his three children.

Peggy Eddy, president of Creative Capital Management, Inc., a family-business counseling and financial-planning firm in San Diego.

Here's A Real Opportunity

Bud has the opportunity to foster harmony, mutual support, and open communication. That is a much greater option than worrying about equal distribution of assets.

As I see it, these are the issues:

■ Consider who is entitled to the assets. Unless you have created a trust in which access is provided to the beneficiaries rather than to you, you should retain the option to do with the assets as you please. It isn't an inheritance yet! You may use up the assets or increase them before you pass them on to the next generation.

■ Equal is not always fair. For example, should all siblings in a family business be paid equally no matter what their role or contribution? Sound business practice suggests that compensation should be based on strategic contribution to the business, with fair market value as the gauge. Consider the child who has extensive need for medical services. Would you deny that child care to assure that your other children received an equal share of your assets?

■ Communicate with and support one another. Talk with the children about what is "fair." Use this as an opportunity to discuss your values about mutual support and sharing and to encourage the children to capitalize on the opportunity to support one another.

If the assets are already entrusted to the children, Bud can help them look at these as investments in which they can share the benefits. He can help them explore how they can work together to grow the family equity.

Carrie and Bob can offer their advice as well as cash to promote Brad's business. Brad can work hard to build the business and share the benefits with his brother and sister.

Leslie Dashew, president of Human Side of Enterprise, a family-business consulting firm in Atlanta.

This series presents actual family-business dilemmas, commented on by members of the Family Firm Institute and edited by Georgann Crosby, a consulting partner in the Family-Business Roundtable, a consulting organization in Phoenix. Identities are changed to protect family privacy. The authors' opinions do not necessarily reflect the views of the institute.

INTERNATIONAL TRADE

Your Company's Ticket Abroad

A letter of credit can help small companies do business with foreign suppliers.

By Len Karpen

Roy Maloumian had an idea: Why not manufacture hand-loomed rugs inspired by world-famous designs and sell them at a fraction of the cost of the museum-quality originals?

Maloumian's family had been in the Oriental-rug business for more than 35 years, so he knew the only way to do it was to blend low-cost production with high-quality merchandise.

Where could he find this blend? The People's Republic of China. But how would he finance the purchase of the rugs from China since, unlike a big company, he didn't have a lot of available cash? A letter of credit.

A letter of credit is like a loan. Instead of lending you money, a bank "lends" you its stability and creditworthiness and receives a fee instead of interest. The safest type is the irrevocable letter of credit. That's what Maloumian uses when his company, Tianjin-Philadelphia Carpet, deals with its supplier in Tianjin, a seaport in northeast China.

"Letters of credit enable a small company like ours to compete very successfully abroad against much larger companies that have an internal source of funds," he says. "It puts us on an equal basis with these companies from the supplier's point of view."

When Maloumian needs a letter of credit, he applies with his Philadelphia bank. The application contains the foreign company's sales terms and lists the documents the overseas supplier must present to the bank for it to pay—or "honor"—the letter.

Documents are the bill of exchange, which is like a check drawn on when the goods are delivered; a bill of lading, a shipping document that acts as title to merchandise; an insurance policy or certificate of insurance; a consular invoice, which varies by country; and a commercial invoice. Poorly completed documents can mean delays.

After the bank approves Maloumian's application, it issues the letter of credit for the U.S. dollar value of the product he is purchasing, thus committing the bank to pay the foreign company when all of the letter's conditions have been met.

The letter is sent, usually by telex, to the foreign company's bank, known as the "advising bank" because it advises the foreign company that the letter has been issued on the company's behalf. In this case, the other bank was the Bank of China's office in Tianjin.

PHOTO: USAL DIMARCO JR.—BLACK STAR

Oriental-rug importer *Roy Maloumian uses letters of credit to pay suppliers in China and "to compete very successfully abroad."*

If the letter of credit's terms are satisfactory to the supplier, he starts making the goods and preparing the necessary documents. Next, the supplier completes the order and gives it to a shipper while he sends the documents to his bank before the letter of credit expires. That bank then forwards the documents to Maloumian's bank for payment. If everything is in order, Maloumian's bank pays the amount due and charges his firm's account.

Since Maloumian has a line of credit with his bank, he requests that payment be drawn from it to cover the amount taken out of his company's account. After the payment is made, Maloumian's bank sends the documents to his freight broker so that the merchandise can be cleared through U.S. Customs and trucked to Tianjin-Philadelphia's headquarters.

Importers like Maloumian should remember that banks assume only credit risk in a letter-of-credit transaction. They assume no liability for the merchandise represented by the letter, for the authenticity of documents provided by the foreign supplier, or for the financial responsibility of the foreign shipper.

To protect yourself, be sure you understand the terms of sale offered by your foreign supplier and are comfortable with its reputation and solvency. Also, to find out as much as possible about the foreign shipper, check with the U.S. freight broker you will use to clear your goods through Customs.

Finally, all letters of credit are issued under strict rules established by the International Chamber of Commerce. These rules are known as the Uniform Customs and Practices for Documentary Credits, or the UCP. In 1993, the UCP was revised under *ICC Publication 500*. For a copy, see your bank or a local library. It explains the responsibilities of all parties to a letter-of-credit transaction.

While letters of credit may seem complicated at first, they are also extremely useful.

By using banks in international transactions, small-business owners—who don't have a lot of cash or can't have someone on-site with an overseas supplier—can have the best of both worlds:

They can take advantage of larger markets and can avoid much of the risk in dealing with strangers thousands of miles away operating under laws that may be vastly different from U.S. laws. NB

Len Karpen owns Polonius Associates, a financial-relations consulting firm near Philadelphia.

TECHNOLOGY

Set Your Rules On E-Mail

These guidelines can help your firm prevent legal problems from arising.

By Jeanne Walker Harvey

Just as computers have replaced typewriters, electronic mail—or e-mail—is rapidly taking the place of printed memos in companies that rely on computers.

Despite its convenience, e-mail could cause legal problems for unsuspecting employers. It sometimes pits an employee's right to privacy against an employer's business interests. Employees typically develop a sense that e-mail messages are private and that they can write anything they wish and no one will ever see it—or have a right to see it—except the recipient.

A potential problem employers should be concerned about is defamatory or discriminatory statements that employees may make about one another on the e-mail system. Employers also must protect trade secrets from dissemination through e-mail to unauthorized recipients inside or outside the company.

ILLUSTRATION: GEORGIA LEIGH McDONALD

The legal conflicts that can arise over e-mail represent a burgeoning and unsettled area of the law. For example, company officials who read "private" e-mail messages and use the contents as grounds for dismissal might become the target of wrongful-termination and breach-of-privacy claims. On the other hand, an employer might sue after a search of a former employee's computer files shows evidence that he had e-mailed confidential material to the company that subsequently hired him.

Whether the employee or the employer prevails in lawsuits like these depends on the facts in the cases and on the law in the jurisdiction. But certain factors may help tip the scale in favor of the business owner. Chief among them is having a written e-mail policy.

Here are guidelines for writing one:

■ Emphasize that the e-mail system is the property of the employer and is intended solely for carrying out company business. The policy should state that all messages transmitted via e-mail will be treated as business messages.

Any employee who sends a personal message on the system should be aware that such a message will be viewed as a business message and not a personal, confidential message of the employee.

■ Make it clear that company managers can rightfully enter the e-mail system and review, copy, or delete any messages, and disclose such messages to others.

Often employees believe their private password entitles them to privacy of their e-mail messages. Your policy should state that the use of passwords to gain access to e-mail is for the protection of the company, not the employee. The company has the right to enter the system, and the employee should not assume that messages are confidential even though a private password is used.

Because the law regarding e-mail and the right of privacy is still developing, employers should search e-mail systems only if they have a compelling business reason to do so and only after consulting an attorney.

■ Incorporate the e-mail policy into the company's overall confidentiality policy designed to protect trade secrets. Employees need to be reminded that information transmitted via e-mail may be confidential information, and reasonable efforts must be made to protect its security.

The policy should state that your company's confidential information should not be forwarded via e-mail outside the company or even to employees within the company unless such recipients are authorized to receive such information.

To protect the company's proprietary information, the policy should tell employees they should not leave e-mail messages on their screens when they leave their desks. Employees should change their passwords frequently to avoid unauthorized access. Also, employees must not copy and send by e-mail any information, including software, that is protected by copyright laws.

■ Advise e-mail users to keep their mesages businesslike and refrain from using the system for gossip and personal messages. E-mail should not be profane, vulgar, defamatory, or harassing.

■ Ask employees to sign an acknowledgment of receipt of the written e-mail policy. The employee is then put on notice that he or she is to comply with the stated policy and that the company may access the employee's messages.

The acknowledgement should state that the company has the right to modify or revoke the policy upon notice to the employee.

Before adopting a written e-mail policy, an employer should consult an attorney; statutes and case law may vary among jurisdictions. Of course, a written policy cannot be a perfect shield against oncoming legal difficulties, but it may prevent some problems and enable a company to carry on its business effectively with the aid of its e-mail system. ■

Jeanne Walker Harvey is an attorney specializing in business law and technology issues in the San Francisco area.

Transforming The Telephone

Telecommunications technologies are helping small companies become more productive.

By John Edwards

ENTERPRISE 2000

The toy business isn't a game for kids, says John Meyer, information-systems manager of Funrise Toy, in Woodland Hills, Calif. So when it became evident to Meyer that Funrise needed a better way to exchange plans and design concepts with its partners in Hong Kong, he implemented videoconferencing, a rapidly maturing technology that has become more affordable since it emerged more than 20 years ago.

He installed a videoconferencing system on one of the personal computers in his office and helped his overseas partners do the same with their PCs. In this way, Meyer gave his firm's designers the capability to stay ahead of competitors who coordinate their development and manufacturing plans using conventional communications tools, such as phones, faxes, and regular and express mail.

"Videoconferencing," Meyer says, "allows us to coordinate the activities of people on different continents as if they were in the same room." He says the technology allows Funrise designers to approve new artwork and samples and to get colors right.

Funrise is one of thousands of small and midsize companies nationwide that are tapping sophisticated, computer-driven telecommunications technologies to increase efficiency and productivity. While fax machines, cellular phones, and pagers have become everyday tools, an emerging generation of videoconferencing and other products promises to revolutionize the way businesses communicate with the outside world.

"When people think of computers and communications, they naturally think of data communications—the Internet and such," says Brad Wheeler, professor of information systems at the College of Business and Management of the University of Maryland. "But computer technology is impacting on virtually all aspects of business communications—voice and images as well as data."

PHOTO: ©PATRICIA LANZA

Videoconferencing *enables John Meyer, Funrise Toy's information-systems manager, "to coordinate the activities of people on different continents."*

Originally, only major corporations could afford videoconferencing systems. Smaller companies had to rent a set-up from a videoconferencing service provider. But now these systems are more affordable.

A survey of 6,500 diverse companies nationwide released in January by the U.S. Chamber of Commerce found that 15 percent of the approximately 1,600 respondents currently use a videoconferencing system. But 57 percent of respondents said they plan to take advantage of the technology by the year 2000.

Videoconferencing's projected growing acceptance is linked to its increasing affordability and ease of use. Until a few years ago, the technology was largely limited to a handful of corporate giants that were able to pay for the dedicated high-capacity phone lines or satellite links the technology required. Today, many leading-edge videoconferencing systems take advantage of ISDN, or the Integrated Services Digital Network, an enhanced phone line that can handle 128,000 bits of data, voice, or video information per second—or any combination of the three. That is more than four times the capacity of today's highest-speed modems working over ordinary phone lines. Today's lines can handle only 28,800 bits of information a second.

Moreover, ISDN service is affordable for virtually any company. The service costs about \$100 to \$150 to install and less than \$50 in monthly fees plus a penny or two extra per minute in higher local or long-distance toll charges. ISDN is currently available through local phone companies in most areas and will soon be within reach from just about anywhere.

ISDN-based systems priced from about \$1,000 to \$5,000 are available from Intel Corp. of Hillsboro, Ore., (503) 696-8080; PictureTel Corp. of Danvers, Mass., 1-800-716-6000; and Compression Labs Inc. of San Jose, Calif., 1-800-225-5254.

While desirable, ISDN service isn't absolutely necessary for videoconferencing. The videoconferencing technology used by Funrise, a \$1,100 MegaConference system manufactured by Alpha Systems Labs of Irvine, Calif., uses ordinary phone lines to link users.

Although picture quality is not as enhanced as it is with an ISDN-based system, Alpha's system is sophisticated enough to allow Funrise's designers to compare plans and other detailed images. In addition, the system's "electronic

This story is part of a continuing series on managing at the turn of the century.

whiteboard" feature allows users to "jot down" text and sketches electronically for all viewers to see. While designed for ordinary phone lines, the MegaConference system can also operate on ISDN lines. For more information on Alpha Systems' products, call 1-800-576-4275.

The three major telephone companies—AT&T; MCI, through its networkMCI venture; and Sprint, through its alliance with Intel— offer videoconferencing services and equipment leasing at competitive rates. For more information, call AT&T at (908) 953-7514, MCI at (202) 872-1600, and Sprint at (816) 854-0903.

At Ellis Ambulance Service, a company that provides 24-hour service to the New York boroughs of Manhattan and the Bronx, computer-driven telecommunications technology is helping employees process life-and-death ambulance dispatches more effectively and efficiently.

Founder Walter Ellis says his company needed a technology that would allow workers to distinguish between emergency and routine administrative calls. The firm also required a way to respond to customer requests more quickly without wasting time looking up addresses or records, he says.

Ellis found the solution to both problems in an AT&T product that links the company's PCs to its telephone system. The AT&T PassageWay system uses a phone company's Caller ID service to match customer records stored inside a PC database with the caller's phone number. As a result, before the phone is even answered, the caller's entire record pops up on the PC's screen, allowing the answering employee to anticipate the nature of the pending call. A basic AT&T PassageWay Solution costs $360. For more information on the PassageWay system, call (908) 953-7514.

Walter Ellis believes that the PassageWay system has helped streamline his business's workload and, in time, will even save lives. "You can have a person with congestive heart failure, and if you miss getting the correct address on the first try, that person could be gone by the time you correct the mistake," he says. "You can't place a price on that."

Computer-powered telecommunications that can be arranged through many local phone companies also are helping retailers speed operations and increase productivity. New interactive voice-response systems offer enhanced customer convenience, accelerate calls, and give callers a variety of new service options.

For example, at Magellan's Essentials for the Traveler, a catalog retailer in Santa Barbara, Calif., voice-response technology has helped the company transform itself into a 24-hour-a-day operation.

Customers calling the mail-order company after normal business hours to order garment bags, compasses, or curling irons had been simply hanging up when they got the company's answering machine. Magellan's addressed this problem by adding an AT&T Conversant system, which enables callers to request a catalog, inquire about a product, or place an order. Users interact with the system by pressing keys on a Touch-Tone phone and speaking words and numbers. Conversant can be used by itself, or it can interact with a host computer for data retrieval.

Multiple voice-response applications can run simultaneously, and six to 15 hours of speech can be recorded, digitized, and stored. "It's like having an extra two or three employees here 24 hours a day," says owner John McManus. For more information on AT&T's Conversant system, call (908) 953-7514.

PHOTO: T. MICHAEL KEZA

Ambulance-company *founder Walter Ellis solved two communication problems with one phone-technology product.*

While some companies acquire advanced, computer-based telecommunication systems as part of a general business overhaul, other, simpler new phone technologies can be implemented on an ad hoc basis. For example, a new generation of boards that can be added to PCs combine data/fax modem, computer sound, voice mail, and other functions.

The SoundExpression 14.4VSp multimedia modem, for example, combines a high-speed data and fax modem, a speaker phone, voice mail, and high-quality digital stereo sound in a single board that lists for $179. Manufactured by Boca Research, in Boca Raton, Fla., (407) 997-6227, the product provides a voice-mail facility with 1,000 password-protected mailboxes and lets users remotely access messages and faxes and record or change greeting messages. The board can also forward incoming electronic mail or automatically dispatch pager notifications on receipt of messages or faxes.

The unit's speaker phone features an on-screen control panel that includes speed-dial buttons for frequently called numbers. Users are notified of incoming calls by a pop-up window, from which they can either accept a call or send it to the voice-mail recorder. Fax features include direct, broadcast, and scheduled faxing; automatic cover-sheet generation; and an integrated phone book for recording frequently called numbers.

The SoundExpression 14.4VSp isn't unique. Similar products are made by several companies, including Diamond Multimedia Systems Inc. of Sunnyvale, Calif., (408) 325-7000, and Creative Labs Inc. of Fremont, Calif., 1-800-998-5227. Any of these cards can be installed by a computer user with moderate technical ability, although most retailers now have cost-sharing agreements with manufacturers to have a board installed in a PC at little or no cost to the customer.

With so many powerful new technologies appearing on the market, it's easy to become confused by the array of choices. Tom Currie, a telecommunications consultant with Management Consulting Services, in Fairport, N.Y., urges business owners and managers not to get carried away by a product's razzle-dazzle.

"Shop carefully and take your time," he advises. "Learn all you can about the technology, and make a bottom-line decision about what it can contribute to your business. Always remember, it's not about doing something new, it's about doing something better." NB

Have Technology Questions?

Send your questions on technology or other business topics to Direct Line. Answers to questions that are selected for publication will appear in future issues. For details, see Page 62.

John Edwards is a free-lance writer in Mount Laurel, N.J.

Small Business Computing

Performance and features make Windows 95 an upgrade that, for most, is worth the cost.

By Albert G. Holzinger

OPERATING SYSTEMS

Cleaner, Wider Windows

Small-business people will find a great deal to like in the appearance and capabilities of Windows 95, Microsoft Corp.'s new personal-computer operating system, which, like other operating systems, controls how users interact with their computers and how the PCs themselves manage their hardware and software components.

We've been using various test versions—called Betas—of the new system on a variety of PCs for several months. In doing so, we've found Windows 95 much easier to set up and use effectively, especially for communications tasks, than the Microsoft operating systems it succeeds—DOS and Windows versions 3.0 and 3.1.

However, we've also discovered that Windows 95 is by no means perfect in design or execution and in some ways appears to lag behind two competitive operating systems from which it draws appearance and feature concepts, Apple Computer Inc.'s Macintosh System and IBM Corp.'s OS/2 Warp. For example, the Windows 95 desktop—the system's capabilities displayed by way of icons on the screen—is not as elegant as a Mac's, and the system's internal engine is not as robust as that of OS/2.

Nevertheless, our experience with Windows 95 has convinced us that most business users of Microsoft's earlier operating systems who have current-generation computers should spend the approximately $100 it will cost to upgrade.

Here are some of the qualities of the new operating system we believe small-business users will find most attractive.

Ease Of Set-Up And Use

Windows 95, especially the CD-ROM version, is easy to install. (The CD-ROM spares users the hassle of swapping a dozen floppy disks.) Recent Beta versions accurately recognized our existing components and programs during the set-up process. No new software can be expected to be fully compatible with all old hardware and software, of course, but unless you have a very old or esoteric computer set-up, upgrading will likely go well.

Adding new hardware devices to a computer running Windows 95 still is not as easy as adding components to a Mac, but it's certainly much less of an exercise in hope and faith than it has been under any previous PC operating system.

Productivity enhancers *in companion products include System Agent, above, for scheduling preventive maintenance, and start-up software called Task Launcher.*

Even more important since user training is a major issue at most small companies, Windows 95 is much neater in its graphical design and is easier to operate in the absence of extensive instruction than earlier Windows versions have been. Several proficient computer users at *Nation's Business* were able to work almost immediately after Windows 95 was installed.

Particularly useful is Windows 95's "long file name" feature, which Macs have possessed. For example, when using programs written for Windows 95, the file name you would have had to condense into "septacp.rpt" under DOS or Windows 3.1 can remain at a fuller, more descriptive length, such as "September Accounts Payable Report."

Business people who have established a network of computers will rejoice when Windows 95 unfailingly recognizes that the PC on which it is being installed is a network "client" and configures itself accordingly. In contrast, setting up a client PC has been a tedious and trouble-prone task under earlier versions of Windows.

Improved Performance

If you're using Windows now, you probably won't find Windows 95 much faster than your current version in running your old software, but Windows 95 will make all other aspects of PC operation far more efficient. That's because, among other reasons, the new operating system is what techies refer to as "multitasking." That means it allows users to have several programs open simultaneously—the amount of memory in the PC determines the limit. Also, Windows 95 is "multithreading," which means the computer can simultaneously perform several processes—printing, downloading electronic mail, and recalculating a spreadsheet are common examples—without compromising performance.

Our less technical, less scientific observation is that Windows 95 seems to make things happen faster generally and stretches memory and other system resources. Both observations especially apply to tasks associated with multimedia devices such as sound cards and CD-ROM drives.

One of our favorite "power" features of Windows 95 is contained in a companion product named Microsoft Plus! (It will retail for about $50.) The feature, called

System Agent, allows users to schedule at convenient times preventive-maintenance tasks such as disk-error correction.

Better Communications

Windows 95 shines in its latest Beta release in processing faxes, e-mail, electronic file transfers, and other communications. This is true whether you use the many communications tools built into the operating system or communications programs from other software companies.

Disadvantages of upgrading to Windows 95 include the cost of the product, the time—and risk—associated with upgrading computers already functioning adequately, and the productivity that inevitably will be lost as employees learn to use—and play with—the new interface.

On balance, however, we recommend that small businesses upgrade—provided they have adequate computers. In our view, little value will be realized from upgrading old 386 PCs, which you'll likely scrap sooner rather than later. Windows 95 upgrades make sense, however, on 486 or Pentium PCs with big hard drives (Windows 95 requires at least 15 megabytes more disk space than Windows 3.1), enough memory for effective multitasking (8 megabytes, preferably 16), a modem for communications, and some multimedia components.

A more complex question involves the best time to upgrade. Microsoft has enlisted the help of an extraordinary number of computer users in killing the bugs in Beta versions of Windows 95. Nonetheless, virtually no one, including Microsoft executives, is predicting that the new program will be bug-free at the start. Clearly, Windows 95 will be an increasingly better product during 1996 than it will be this fall as the company incorporates fixes to problems reported by early buyers.

Windows 95 seems to make things happen faster.

The best time to upgrade will most likely be when you find a compelling business-software program that requires Windows 95 as the operating system, and that time could be soon.

The first pure Windows 95 program we have seen is a new version of a longtime favorite of small-business people. It's Microsoft Works, a single application containing powerful word-processor, spreadsheet, database, and communications programs as well as an impressive reference library in its CD-ROM edition. (Microsoft says about 70 percent of the 15 million users work in small businesses.)

Especially impressive are the Task Launcher, which appears at start-up; the Task Wizards, which guide users through document design and production; and substantial Help features. In all, this software should help increase productivity by allowing users to focus on the tasks they need to complete instead of the tools they need for completing them.

Works for Windows 95 will be available at retail outlets in September for about $50 for the floppy-disk version and about $75 for the CD-ROM edition with Bookshelf '95, which consists of eight reference works, including a dictionary, thesaurus, almanac, and atlas.

Amplification

The telephone number listed for AEC Software in July's Software Special Report was the company's fax number. The toll-free number for product information is 1-800-346-9413. NB

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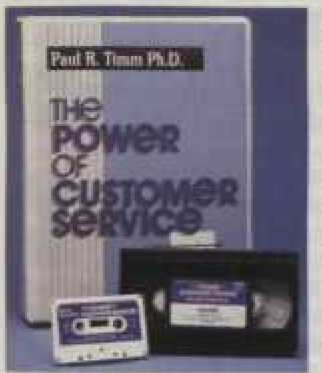

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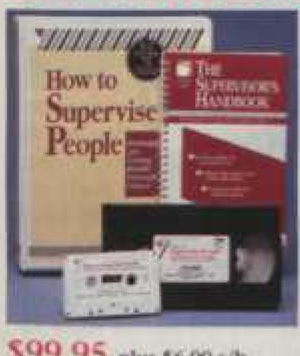

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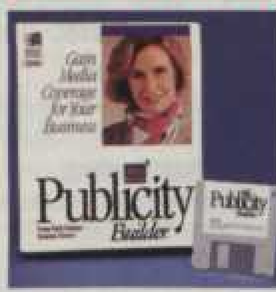

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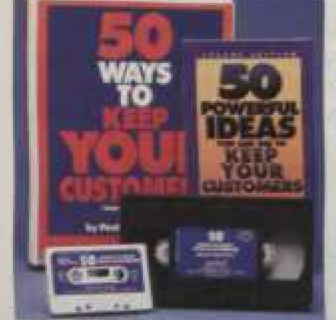

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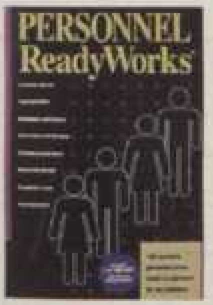

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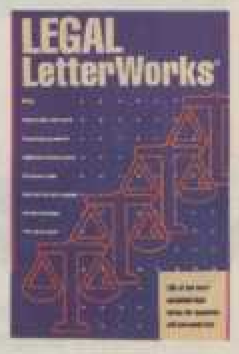

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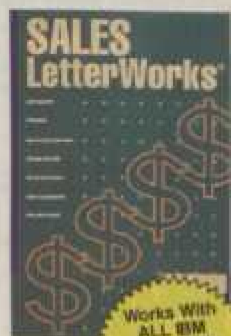

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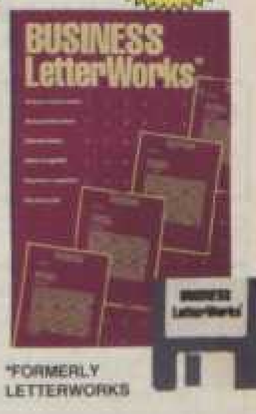

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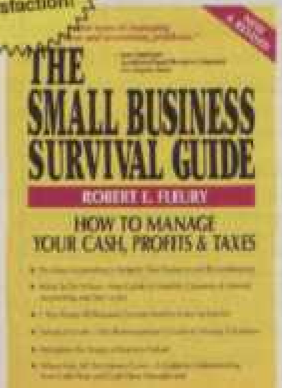

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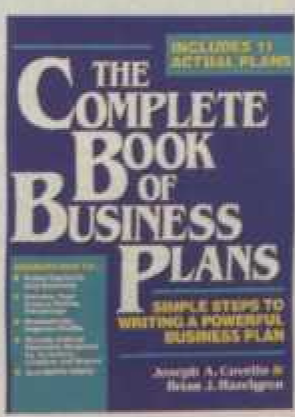

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Small Business Financial Adviser

A market on the rise; saving time and money with purchasing cards; the SBA's new loan program.

Stocks' Surge Defies Modest Expectations

By Randy Myers

Stock prices sprinted to record levels in the second quarter, and with the Federal Reserve Board's decision to lower short-term interest rates early this month, many investors now believe stock prices could continue climbing, albeit not at the pace they set in the first half of this year.

That sentiment is quite a turnabout. Heading into 1995, Wall Street had decidedly modest expectations for stocks. Yet the average U.S. stock market mutual fund jumped a stunning 16.63 percent in the first half of this year, 8.71 percent in the second quarter alone.

That didn't beat the market averages. The S&P 500 Stock Index rose 8.8 percent in the second quarter and 18.6 percent in the first half. But according to Lipper Analytical Services, it was the best quarterly performance for domestic stock funds since the fourth quarter of 1992 and the best six-month performance since the beginning of 1991.

While virtually every sector of the U.S. stock market did well last quarter (only five of 60 industry groups tracked by Media General Financial Services declined; see the accompanying table on Page 58), stocks of electronics companies continued to lead the way as makers of computer equipment and software enjoyed robust sales and profits in the U.S. and abroad.

Science and technology funds tracked by Lipper earned investors an average return of 19.01 percent in the second quarter, putting that group up 27.59 percent for the first half of 1995 and up 53.36 percent over the past 12 months.

Performance By Mutual Fund Category

With Dividends Reinvested Through June 30

Type Of Fund	2nd Quarter	One Year	Five Years
	(Figures Are Percentages)		
GENERAL STOCK FUNDS			
Capital-appreciation funds	9.18	22.18	75.00
Growth funds	9.33	22.25	71.73
Midsize-company funds	8.81	25.40	91.52
Small-company growth funds	9.01	24.79	93.46
Growth and income funds	8.11	19.74	70.00
S&P 500 objective funds	9.38	25.41	72.84
Equity income funds	6.61	15.89	65.56
General Stock Funds Average	8.71	21.88	74.55
Health/biotechnology funds	3.74	28.80	99.89
Natural-resources funds	5.42	6.37	28.67
Environmental funds	10.52	14.00	2.33
Science and technology funds	19.01	53.36	160.97
Specialty/miscellaneous funds	7.50	18.31	89.03
Utility funds	6.62	12.11	57.92
Financial-services funds	10.58	12.81	156.97
Real-estate funds	6.22	1.94	47.61
Gold-oriented funds	3.29	-0.15	24.89
Global funds	7.21	7.55	44.27
Global small-company funds	7.56	10.52	56.16
International funds	4.04	1.19	32.74
International small-company funds	4.93	-3.76	4.17
European region funds	8.77	13.44	26.18
Pacific region funds	4.17	-3.30	38.98
Emerging-markets funds	8.56	-3.85	48.86
Japanese funds	-6.17	-22.09	-24.60
Latin American funds	14.55	-19.72	n.a.
Canadian funds	8.63	1.31	22.68
World Stock Funds Average	5.64	1.74	32.84
All Stock Funds Average	7.93	16.96	69.11
Flexible portfolio funds	7.44	16.26	64.43
Global flexible portfolio funds	5.58	8.58	44.45
Balanced funds	7.10	15.99	64.30
Balanced-target maturity funds	8.01	16.12	63.92
Convertible-securities funds	6.15	11.95	73.23
Income funds	6.00	12.50	61.81
World income [bond] funds	5.84	8.66	49.54
Fixed income [bond] funds	4.93	9.30	54.06
Average Of Taxable Stock And Bond Funds	6.85	14.06	63.78

SOURCE: LIPPER ANALYTICAL SERVICES INC.

"Right now, there's almost a direct correlation between the best-performing mutual funds and the percentage of technology stocks that they own," observes Paul Stephens, manager of the Robertson Stephens Contrarian Fund, which rose 19.5 percent in the first six months of the year even though it shunned technology issues.

While the stock market's performance won lots of media coverage for stocks in the first six months of 1995, bonds turned in a rousing performance of their own, albeit with less fanfare.

The average domestic taxable bond fund tracked by Lipper Analytical returned 4.93 percent in the second quarter, 9.11 percent for the first half of the year.

The impetus: a procession of statistical reports by government and industry suggesting that the economy is probably growing at a much slower rate than it did in 1994. (For example, in April, the government's index of leading economic indicators fell for the third straight month.)

Even after new-home sales skyrocketed nearly 20 percent in May, this data left most investors convinced that the Federal Reserve Board would soon lower interest rates just to ensure that the economy doesn't slip into a recession. The Fed did just that in the first week of July, driving short-term rates down one-fourth of a percentage point. When interest rates fall, bond prices rise.

Geoffrey Kurinsky, manager of the MFS Bond Fund (up 13.1 percent during the first six months of the year), says bond investors may now want to shift a disproportionate share of

their bond holdings into the short-term end of the market (specifically, five-year Treasury notes, which were yielding 5.96 percent at the end of the second quarter). Those should do well if, as expected, the Fed remains committed to keeping short-term interest rates low.

More-conservative income-seeking investors might turn to cash equivalents. Three-month Treasury bills were yielding about 5.5 percent heading into July, or about 2.3 percentage points more than inflation.

For those devoted to stocks, some adventurous investment pros are looking to stock markets in Europe. Returns there have languished well behind those in the U.S. over the past five years and may, like many European economies, be ready to play catch-up.

The average European region mutual fund returned 8.77 percent in the second quarter of this year, slightly outpacing the average U.S. stock fund. But the average European fund has earned investors only 26.18 percent in the five years since June 30, 1990, according to Lipper Analytical. Over the same period, the average return on U.S. stock mutual funds was 74.65 percent.

Still, plenty of Wall Street analysts don't suggest shying away from U.S. stocks. Prudential Securities' director of technical analysis, Ralph Acampora, and Wheat First Butcher & Singer's director of investment strategy, Don Hays, think the U.S. stock market is headed toward a frothy, speculative "third phase" that will carry it to new highs before another real bear market sets in.

As Hays makes the case, this is the first time in 13 years that the Federal Reserve Board is in position to lower rather than raise interest rates at a time when the stock market is already at high levels. Lower rates typically help stocks, not only by making it easier for consumers and businesses to borrow money and thus feed the economy with their spending but also by making bonds a less attractive investment alternative to stocks.

Hays sees the Dow Jones Industrial Average between 5,200 and 5,600 by Election Day 1996, and Acampora is predicting that the Dow will hit 7,000 by early 1998. It ended the second quarter at 4,556.

Pessimists who worry that the stock market might not continue climbing, after rising without cessation for more than six months, may be interested to know that this record is hardly remarkable. Shortly after the end of World War II, for example, from January 1948 to December 1956, the Standard & Poor's 500 Stock Index strung together 108 consecutive months in which it posted a positive total return, according to Ibbottson Associates, a Chicago-based consulting firm.

What should you do if you can't shake the fear that the U.S. stock market is due for a downturn but you're not interested in venturing into other markets?

Stephens thinks he's found a way to profit in stocks over the next few years even if, as he suspects, technology stocks and other current market leaders turn tail. He's buying the stocks of companies with hard assets: oil and gas, gold, copper, nickel, and real estate.

Stephens is shunning technology stocks for fear that they've become overpriced and are, like a lot of other stocks whose prices are based on expectations of strong earnings growth, due for a tumble. In fact, Zacks Investment Research, a Chicago-based consulting firm, has warned that after outperforming analysts' expectations in the first quarter of 1995, earnings reports now coming out for the second quarter are likely to fall slightly below expectations, on average.

That could panic already nervous investors, but it shouldn't, especially not long-term investors. After all, Zacks is still estimating that year-to-year earnings growth for the companies in the S&P 500 index will average about 18 to 19 percent in the second quarter, which should be plenty to keep the economy from lapsing into a recession and enough to keep the stock market on an even keel. ■

Stock Performance In The Second Quarter

Industry Group	Change In Value April 1 To June 30 (Figures Are Percentages)	Industry Group	Change In Value April 1 To June 30 (Figures Are Percentages)
Electronics	33.6	Investments	6.7
Airlines	21.5	Electrical equipment	6.6
Business data processing	18.9	Chemicals	6.1
Aerospace	15.3	Insurance	6.1
Precision instruments	15.3	Multi-industry	5.9
NASDAQ Index	14.2	Retail–food stores	5.9
Credit	13.2	Oil, natural-gas services	5.6
Savings and loans	13.0	Food–packaged goods	5.2
Recreation–broadcasting	12.7	Publishing	5.2
Food–confections	11.6	Metals–rare	5.0
Paper, packaging	11.3	Retail–discount, drugs	5.0
Tobacco	11.0	Shoes, leather	4.8
Drug manufacturers	10.9	Real estate	4.5
Personal services	10.9	Textiles–apparel	4.4
Banking	10.6	Metals fabrication	4.3
Machinery–heavy	10.4	Recreation–movies, sports	4.3
Retail–department stores	10.1	Business services	4.2
Automotive	9.7	Oil, natural-gas production	3.8
Dow Jones Industrial Index	9.6	Business equipment	3.5
Hotels, motels, restaurants	9.5	Distillers–brewers	2.7
Real-estate investing	9.4	Railroads	2.3
Building	8.9	Oil, refining, marketing	2.1
S&P Industrial Index	8.9	Food–meats, dairy	2.0
S&P 500 Index	8.8	Utilities–gas, other	2.0
Building–heavy	8.8	Rubber, plastic	1.8
Food production	8.5	Retail–miscellaneous	1.2
Cosmetics–personal	8.5	Metals–iron, steel	1.1
Metals–nonferrous, coal	8.4	Recreation–luxury	0.1
Media General Stock Index	8.3	Retail–apparel	-1.0
AMEX Index	7.7	Health	-2.3
Machinery–light equipment	7.7	Housewares, furnishings	-3.4
NYSE Index	7.7	Freight, shipping	-3.5
Utilities–electric	7.1	Textile manufacturing	-3.9
Communications	6.7		

SOURCE: MEDIA GENERAL FINANCIAL SERVICES

CREDIT CARDS

A New Approach To Small Purchases

Major credit-card companies have developed a new "purchasing card" service to help small companies save up to 90 percent of the administrative costs—paperwork, labor, postage, etc.—associated with routine buying transactions.

"Accounting offices need only process a single invoice for a multitude of monthly transactions and issue one check for payment," says Robert Levaro, senior vice president for commercial card products at VISA International in Foster City, Calif.

Companies don't really have to present the card when making a purchase. All they need to do is provide their card number to suppliers when placing an order, which generally is done by telephone.

Businesses using the card can restrict its use to specific employees, such as purchasing department representatives. They can also set daily or monthly spending and transaction limits per employee. This helps prevent abuses of purchasing authority.

Companies using the purchasing cards also receive comprehensive spending reports that help track expenses and tax data. "These reports enable a business owner to identify the supplier, how much sales tax was paid on the order, a customer code, who conducted the transaction, and where it should be charged in the general ledger," says Steve Abrams, senior vice president for commercial card products at MasterCard International Inc. in New York.

Businesses that buy goods with a purchasing card don't pay interest charges, says Abrams, because they are required to pay the card balance within 30 days. Annual fees range from $25 to $50 for each card issued.

This new card service also offers benefits to suppliers who accept it. It improves cash flow with the 30-day requirement for payment. Suppliers who accept a purchasing card pay the bank that issues it 2 to 3 percent on the amount of the purchase charged on the card. In return, "it means getting paid in two days, which is a tremendous benefit," says Abrams. "It is no longer necessary to keep receivables on the books for 30 days."

In addition, a supplier doesn't have to wait for requisitions and authorization forms to process an order. Because card users have preapproved spending authorization, transactions are electronically authorized at the point of sale.

Three major card companies—MasterCard, VISA, and American Express—are marketing purchasing cards with various types of features.

While the MasterCard and VISA cards are designed for compaines of all sizes, the American Express purchasing card is geared to large corporations. All three also offer very small companies—usually consisting of only one or two persons—a "business card" that helps keep business expenses separate from personal expenses.

To apply for a purchasing card, contact your bank first. If the service is not yet available, contact the card company directly. Call MasterCard at 1-800-219-1013, VISA at 1-800-847-2221, and American Express at 1-800-686-5493.

—Joan C. Szabo

BORROWING

Less Hassle, More Loans

Two years ago, less than one-third of all applicants for loans guaranteed by the Small Business Administration sought less than $100,000. Today, nearly two-thirds apply for loans under that amount. The sudden burst of interest in small loans is a direct result of the SBA's new program for minimizing the paperwork associated with borrowing money, the SBA says.

The SBA launched its "low documentation" loan program for amounts under $100,000 in July 1994. Prior to the so-called low-doc program, a typical application for an SBA-guaranteed loan required the completion of 10 or more forms and the submission of a narrative description of the business.

By contrast, the low-doc program requires completion of only a one-page form for a loan of $50,000 or less. For a loan above $50,000 to $100,000, the SBA requires four elements:

- A completed one-page application.
- Copies of income-tax returns—Schedule C or the front page of the corporate return—for the past three years (if applicable).
- A personal financial statement from each shareholder who has a 20 percent or larger interest in the company.
- A brief internal loan report prepared by the lender.

During the first eight months of fiscal 1995, through May 31, the SBA had approved 21,453 low-doc loan applications totaling $1.19 billion.

"Before we began to offer the low-doc program, it just wasn't cost-efficient for lenders to go through the paperwork for a loan of under $100,000," says Mike Stamler, spokesman for SBA. If a small-business borrower defaults on an SBA-guaranteed loan, the agency covers up to 90 percent of the loan balance.

As with other guaranteed loans, the borrower works with a bank in formulating the loan request, and the bank submits the application to the SBA. A key objective of the low-doc program is to put more emphasis on the borrower's character, credit history, and projected cash flow, while attaching less significance to collateral and percentage of equity.

"We see some real advantages in the low-doc program," says Dick Rosentiel, director of small-business lending for Today's Bank in Rockford, Ill. "The SBA has emphasized simplicity and rapid turnaround on loan requests—two things that have been greatly lacking in the past with the SBA."

Start-ups are eligible for low-doc loans, as are existing small businesses. An existing business must employ fewer than 100 workers and have average annual sales of less than $5 million.

The interest rate is negotiated between the borrower and the bank, but it may not exceed the Wall Street prime rate plus 2.25 percent for a loan with a term of less than seven years or prime plus 2.75 percent for a loan of seven years or longer. A 2 percent guaranty fee is also collected by the SBA. —*J. Tol Broome Jr.*

The author is a loan administrator for FirstSouth Bank in Burlington, N.C.

TAXES

When To Throw Out Those Old Records

Faced with ever-growing avalanches of paperwork and record-keeping requirements, businesses today need to know when their old tax records can safely be discarded.

Some businesses hold their tax records for only three years because they have heard about the three-year statute of limitations for an Internal Revenue Service audit. Others, afraid of making a mistake, hang on to their records forever. Fortunately, there is a happy medium.

While there is indeed a three-year statute of limitations, it is extended to six years if more than 25 percent of gross income is omitted from a return—even if the omission is unintentional. If a return is fraudulent, there is no statute of limitations.

Thus, the general rule of thumb is six years for bills and other written records such as bank statements and canceled checks, sales records and journals, employee payroll records, and inventory records.

Note that the IRS has ruled that canceled checks do not have to be retained at all and that the bank statement itself will be satisfactory proof of payment if it shows the check number and amount, the date the bank posted the check to the account, and the name of the payee. It is best, however, to hold canceled checks for six years because canceled checks may occasionally be needed for purposes other than proof of payment.

Keep in mind, too, that there are a number of exceptions to the six-year rule of thumb. For example, if the IRS might possibly allege that a particular transaction was fraudulent, you should keep all the related records indefinitely, or at least until the business is cleared in a tax examination.

Records related to the cost of acquiring or improving property should be retained at least until the property is sold or, if disposed of in a tax-free exchange, at least until after a subsequent taxable sale of the new property. And depreciation schedules or other capital-asset records should be kept for at least the life of the asset.

Tax returns themselves, as distinguished from the supporting information, should never be discarded. They constitute evidence, and sometimes the only evidence, that a return was in fact filed for the business.

Businesses should consult with their accountants before discarding records held more than six years. In any event, keeping all tax records forever is unnecessary—and costly.

—*Albert B. Ellentuck*

The author is counsel to the Washington, D.C., law firm of King & Nordlinger.

For a reprint of Small Business Financial Adviser, see Page 64. For a fax copy, see Page 53.

To Your Health

Managing well includes paying attention to your own health and that of employees; here is advice to help you do that better.

By Meredith Gould

Handling Bereavement

When one of your employees has a baby, you know exactly what to do. You send a cute card, maybe even buy a gift. Congratulations are easily offered. But it's a safe bet you don't respond with such certainty when an employee loses a loved one. Do you just send a card? What can you possibly say?

Dying is a life-cycle event that few are comfortable acknowledging. Most of us are skittish around death; we hardly know how to behave when someone is grieving. Nor do we know how to recognize or respond to the slow process of recovery known as mourning.

"In our culture of denial, we don't know what to say," says Naomi Naierman, executive director of the Hospice Council of Metropolitan Washington, D.C. "We fall all over ourselves saying the wrong things."

Even if we were more comfortable in expressing sympathy, doing so at work would still be problematic. The workplace's rules and expectations do not include displays of emotion. And, of course, productivity issues may emerge, perhaps much later.

Death—even when it follows a long illness—is shocking on some level. After the self-protective numbness wears off, the grieving person may start to behave in ways that puzzle managers and colleagues alike.

Grief can cause disorganization, negativity, or apathy at work. Anger, a normal stage of the grieving process, is sometimes directed at customers. Everyone's individual timetable for grieving is different, but what seems to be universal is that shock, denial, anger, guilt, and sadness are phases that must be completed before acceptance and growth can occur. Most people do not have the luxury of grieving in private, which means a lot of grieving happens on the job. How grief is managed makes a big difference.

Grief can cause *disorganization and apathy on the job. Know the signs, and know how to help.*

When Joan Mintz's father died suddenly over a holiday weekend years ago, she took a week off to care for her mother. "I clearly got the impression that everyone expected me to be OK because I was off for a week," Mintz recalls. "I was so busy taking care of my mother that by the time I could find time to fall apart, I was back at work."

Mintz, at that time a public-service official in New Jersey, remembers wishing her supervisor had been more pragmatically supportive: "If my boss had just said, 'If it gets rough, go home.' Or if she had suggested having my secretary hold my calls. Or given me permission to have my office door closed. I just wasn't able to think of these ways of taking care of myself."

How a company treats its grieving employees strongly affects how employees perceive the company. Without proper training, managers and colleagues may end up mismanaging the situation in a variety of ways. An employee may receive a poor performance rating instead of needed help. Inappropriate comments, such as, "It was God's will," or, "Isn't it time you got over this?" can have such a negative impact that a valued employee may end up resigning.

Naierman recommends that employee-assistance counselors and human-resources people contact local hospice organizations. Hospice workers deal not only with the dying but also with family members and friends. Bereavement counseling is a core hospice service.

Naierman knows the need is there. Last year, the Hospice Council of Metropolitan Washington developed a "Grief in the Workplace" program that includes materials, workshops, and on-site training. In the six weeks after the program was mentioned in a news account, the council got more than 3,000 requests for its brochures.

Even those with no training in handling employees' bereavement can support someone who has suffered a loss:

■ Be compassionate. Your condolences don't need to be elaborate, just heartfelt.

■ Offer help. The grieving person will appreciate your picking up a work task temporarily or running an errand.

■ Cultivate your awareness of the grieving process. Signs that the grieving person may need professional help include weight loss, lapses in personal hygiene, references to suicide, increased absenteeism, and significant personality changes. In addition, you should keep an eye on the person who shows absolutely no emotion.

■ Become more flexible. Your company's bereavement policies may not account for extreme or unusual circumstances. It may be appropriate to extend leave time or to create a flex-time schedule for a while. NB

Meredith Gould, a free-lance writer in Princeton, N.J., writes frequently about health and relationships.

Direct Line

Experts answer our readers' questions about starting and running their businesses.

By Laura M. Litvan

BUSINESS EXPANSION

To Franchise, Or Not . . .

I own and operate a 1950s-style malt shop that serves burgers, fries, and shakes. The single-unit shop is located in a busy tourist area, and it's quite profitable. Every week, at least one customer asks me if this is a franchised business, and customers have left their names in an effort to be among the first franchisees. To franchise, or not to franchise? That is the question.
C.T., Kihei, Hawaii


ILLUSTRATIONS: MARTHA VAUGHAN

Many owners of established restaurants ponder this question, and it's no wonder. Franchising has been booming, particularly in recent years, with overall sales growing from $678 billion in 1989 to $803 billion in 1992, according to a comprehensive study by the University of Louisville. And the International Franchise Association reports that sales among its members rose about 12 percent in 1994.

Mark Siebert, executive vice president of New York-based Francorp Inc., a franchise-development consultancy, suggests that you decide after answering these questions:

■ What are your business capabilities? The average franchisor sells nine units during the first year of franchising. Ask yourself whether you are prepared to handle that type of growth in terms of access to capital and management skills.

■ Is your business really salable as a franchise? Is the business sufficiently established to give you credibility with prospective franchisees? Is there a uniqueness about your firm that will attract prospective franchisees? Can your business concept be replicated elsewhere?

■ Can you create a win-win financial situation for both yourself and your franchisees? Typically, franchisees look for a 15 percent annual rate of return on their investments after royalties, advertising contributions, and other fees are paid to the franchisor.

■ How much competition will there be? Investigate carefully how many other players are already promoting a similar concept. For example, there is already at least one franchisor of '50s malt shops—Johnny Rockets Licensing Corp. of Los Angeles. It has sold 62 franchise units since it began franchising in 1987. But don't let a little competition deter you. Siebert says there's always room in the market for more than one franchise in a specialty area if consumers really like the concept. If you doubt that, consider the proliferation of rotisserie chicken franchises in recent years.

Many resources are available to help business owners determine if franchising is right for them. Start with the International Franchise Association, in Washington, D.C. Call 1-800-543-1038 and request its publications catalog. One IFA book, *How to Be a Franchisor,* provides basic information about franchising. Its price is $5 for IFA members, $8 for nonmembers.

Meanwhile, for franchisors that are already growing domestically and are now looking toward foreign expansion, watch for a special guide to international franchising in the October issue of *Nation's Business.* ■

HOW TO ASK

Have a business-related question? Mail or fax your typewritten query to Direct Line, Nation's Business, 1615 H Street, N.W., Washington, D.C. 20062-2000; (202) 463-3102. Or transmit your question to our CompuServe address: 76436,1735. Be sure to include your address and telephone number. Because of the high volume of letters, we can answer only those that are chosen for publication. Writers will be identified by initials and city.

GETTING STARTED

Pursuing Pests

I am interested in starting a bug and pest extermination business. Could you give me a few ideas about whom I can contact?
C.P., Tucson, Ariz.

Begin by learning the many requirements for setting up a pest-control company. Generally, state agriculture departments license and certify exterminators, but in Arizona exterminators are regulated by the Structural Pest Control Commission; (602) 255-3664. An inspector there tells us that, in Arizona, you must have at least two years' experience in the field or complete some courses to offer these services.

Also, the National Pest Control Association offers a free pamphlet, *The Structural Pest Control Industry.* Write to the association at 8100 Oak St., Dunn Loring, Va. 22027, or call (703) 573-8330.

Tending Toddlers

I am interested in opening a day-care center for children. Where can I get information to help me get started?
J.B., Lafayette, La.

Day-care operators are subject to strict oversight by state agencies—in Louisiana, by the Department of Social Services. The department can tell you what you must do to open a center. Send a letter requesting the "Day Care Packet" and a $10 cashier's check or money order to the Department of Social Services, Licensing Bureau, P.O. Box 3078, Baton Rouge, La. 70821. You can call the bureau at (504) 922-0015.

Priming Pumps

I want to open a minimart convenience store with gas pumps. Please direct me to organizations that I can contact to get started.
D.R., Atchison, Kan.

Call the National Association of Convenience Stores, in Alexandria, Va., at (703)

684-3600. Marie Cavanagh, director of the association's information center, can provide materials about opening a store and locating a gasoline supplier. The association also has a publication, *The 1995 State of the Convenience Store Industry*, which contains data that can help you estimate typical start-up costs and other expenses. It is free for association members and $50 for nonmembers.

MARKETING

Piggyback Pitches

I work in a small property and casualty insurance office. There are periods when business is extremely slow or even stagnant. We think we could enhance our growth by inserting other businesses' promotional materials for a fee into the 200 statements we mail our customers each month. Any ideas on how to proceed?
R.C., Skokie, Ill.

In the direct-marketing industry, these inserts are known as "statement stuffers." They have become more prevalent since postal rates rose in January, which made individual mailings more expensive, says Joel Katz, a senior account executive with Leon Henry Inc., a New York firm that specializes in designing package and statement inserts.

Typically, advertisers pay a company a small fee to include their material in customer mailings. "Going along for the ride," Katz says, is cheaper than mailing promotional materials separately.

Companies that want to pursue such advertisers often go through "alternative media" managers like Katz, who serve as middlemen.

Advertisers and these managers are generally looking for companies with mailings of at least 5,000 pieces a month, says Margaret Gray, vice president of Direct Media Inc. of New York, another alternative-marketing firm. Katz typically works with companies that mail about 50,000 statements a month.

You note that your firm mails about 200 pieces a month. That is a low volume by marketing-industry standards and a level that might not be particularly lucrative. The average price advertisers currently pay for statement stuffers is about $45 per thousand statements mailed, according to data from Leon Henry Inc.

Because of your relatively low volume, you might want to approach businesses on your own and see if you can strike a deal, Margaret Gray says. She says the key for you is to pitch your mailings as a way to reach the specialized audience that receives your bills. That way, you can build a case for charging more.

Business customers who purchase insurance through you, for instance, might also be the target audience for an office-products company, a security firm, or some other business, she says. If your customer base is concentrated in one geographic area, try to seek out other local businesses, she recommends.

The New York-based Direct Marketing Association has an Alternate Response Media Council that could be a good resource for you if you have further questions. Call Marybeth Welsh, the council's manager, at (212) 768-7277. NB

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***SMALL BUSINESS FINANCIAL ADVISER #9080**
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Where I Stand

On Job Training

Background: Both houses of Congress are considering a major reorganization of the federal government's employment, education, and training programs to better prepare individuals for the workplace and to update the skills of current workers. These questions seek your views on this subject.

Results of this poll will be forwarded to administration officials and congressional leaders. Send the attached, postage-paid response card. Or circle your answers below and fax this page to (202) 463-5636.

1 What level of skills are workers bringing to jobs in your business?

1. Very good
2. Good
3. Adequate
4. Deficient

2 How has the skill level of job applicants you see changed over the past three years?

1. Improved
2. About the same
3. Declined

3 What is the most common shortcoming of job applicants you see?

1. Lack of specific technical skills
2. Lack of basic reading and math skills
3. Inability to communicate well, orally and/or in writing
4. Poor attitude and work habits
5. Lack of previous work experience

4 How much negative financial impact has there been on your business because of inadequately trained workers?

1. Little or no impact
2. Moderate impact
3. Heavy impact

5 How much retraining/education do you offer your current employees each year?

1. None
2. Less than a day
3. Two to five days
4. Six to 10 days
5. More than 10 days

6 Who should have the primary responsibility for educating and training workers?

1. Businesses
2. Public and private schools (including community colleges)
3. Government agencies
4. Outside suppliers and consultants
5. Industry/trade associations or local chambers of commerce

7 Who should pay for training workers?

1. Businesses seeking the skilled workers
2. State or local government
3. Federal government
4. Workers themselves

8 Which of these would best improve education/training programs at the local level?

1. Publicly funded vouchers for government or private-sector training
2. One-stop education/training and referral centers
3. Increased flexibility of state/local use of federal funds
4. No changes needed

Send Your Response Today!

POLL RESULTS

Readers' Views On Welfare Bill

An overwhelming majority of respondents to a *Nation's Business* poll endorsed some of the tough new requirements contained in the House-passed welfare-reform bill.

More than nine out of 10 respondents to the Where I Stand poll in the June issue thought plans to limit the time a person can receive welfare payments and to deny most welfare to most noncitizens in the U.S. were either appropriate or not tough enough.

Here are the complete poll results:

WELFARE BILL

Should major federal welfare programs be administered by the states, as the House bill proposes?

Yes, states should receive welfare funds and be permitted flexibility to meet local needs	91%
No, the federal government should continue to run programs to make sure recipients in some states are not treated unfairly	9

Is the bill's five-year limit on the time a person can receive federal welfare payments appropriate?

Period is too long	75%	Period is too short	2%
Period is about right	20	There should be no time limit	3

How do you view the bill's requirement that persons who have received welfare for more than two years must engage in state-defined "work activities" to continue getting aid?

Period is too long	44%	Period is too short	6%
Period is about right	49	Work should not be required	1

The House bill gives states some authority to create incentives for businesses to hire welfare recipients. What would be the most helpful?

Tax credits	46%	Flexible wage scales	19%
Training grants or stipends	21	No incentive needed	14

Should aid be denied to children born to an unmarried mother under 18, except in cases of rape or incest, until the mother turns 18, as is the case in the House bill?

Yes, it's a reasonable penalty for the parent	77%
No, it's an unreasonable penalty for the parent and child	23

How do you feel about making most noncitizens in the U.S. ineligible for aid under most welfare programs?

Goes too far in penalizing persons born abroad	6%
Is a reasonable approach	57
Doesn't go far enough	37

The bill requires all able-bodied food-stamp recipients ages 18 to 50 with no dependents to work or to be in a training or work program within 90 days or lose benefits. How do you view this requirement?

Too tough	2%
Reasonable approach	69
Not tough enough	29

Commentary

Price rises in everything from cars to cut flowers influence federal spending and taxes.

By Robert T. Gray

Calculating The Real Costs Of Living

In Washington jargon, they are known as COLAs—an acronym for cost-of-living adjustments.

They are inflation shelters for 70 million individuals receiving federal payments that include Social Security, military and civilian pensions, veterans' benefits, and food stamps.

The adjustments also affect the cost of school lunches for 24 million children.

Since 1985, an inflation-adjustment factor has also been applied to federal income taxes, which represent 45 percent of all revenues collected by the U.S. government.

Because about $450 billion in current expenditures are subject to continuing increases via cost-of-living adjustments, the formula for making these adjustments is, not surprisingly, a concern for a Congress committed to a balanced federal budget by fiscal 2002. That plan anticipates COLA modifications that take effect in 1999 and contribute $19.5 billion to the savings needed to eliminate the deficit.

This broad range of fiscal activity rests on one of the most familiar of all government statistics, the Consumer Price Index. This number—the CPI—is reported monthly and is the official expression of what is generally referred to as "inflation."

ILLUSTRATION: ALBERTO PACHECO

The index measures price changes of selected goods and services that include the major categories of housing, food, transportation, clothing, and medical care, plus a wide range of subcategories extending to "oranges, including tangerines" and "indoor plants and cut flowers." The spending components are weighted to reflect their relative importance in the mix of consumer purchases.

Given its massive power, the CPI could justly be expected to reflect a high degree of accuracy. It does not, however. The way the federal government measures living costs has come under heavy attack in recent years, and there are increasing demands that it be made more realistic.

There is an "important distinction between the CPI and a true measure of the cost of living," says Alan Greenspan, chairman of the board of governors of the Federal Reserve System, which is vitally concerned with trends in inflation.

Even the Bureau of Labor Statistics, which compiles the CPI, acknowledges its limitations, stating, "The CPI is not a complete measure of price change." The bureau explains that the index may not reflect all price movements for all sectors of the population, such as urban compared with nonurban areas or the elderly compared with other demographic groups.

Greenspan notes that the current CPI is based on 1982-1984 spending patterns and might not fully reflect recent trends, such as the proliferation of discount retail outlets and technology-based improvements in medical care. "Given the perpetual advance of knowledge and technology," he says, there is "a tendency for the quality of goods and services to rise over time in a manner that is difficult to define and measure."

Change in the CPI calculation is assured. The GOP balanced-budget plan assumes that the new inflation measure will trim the annual CPI by 0.2 percentage points. The GOP assumption of CPI-related savings beginning in 1999 is geared to the BLS schedule for its next revision.

The budget impact of the new BLS version is uncertain at this point. Other initiatives may be necessary.

Fed Chairman Greenspan has suggested creation of an independent commission to determine inflation factors for both federal outlays and revenues. This panel, he says, could consider the use of targeted COLAs that would reflect the buying patterns of specific beneficiary groups.

On the other hand, some opponents of change argue that scaling back the inflation protection for income-tax calculations would amount to a tax increase.

Whatever the outcome, experts agree that the CPI is receiving the hard scrutiny it has long needed. NB

Robert T. Gray recently retired after 26 years with Nation's Business, *13 as editor.*

Editorial

'A New Vision Of Our Future'

Congress is heading into its summer recess, marking the end of one of the most productive periods in the history of the national legislature.

The House and the Senate agreed on a plan to balance the federal budget within seven years. The GOP majority in the House fulfilled its Contract With America, voting on basic pledges designed to make the federal government smaller, less intrusive, and more effective.

The Senate also showed a commitment to limited government in a wide range of legislative initiatives.

But there is general and welcome agreement among the Republicans now making things happen in Washington that developments thus far, momentous as they are, represent just the opening phase of a new era, one that will see the devolution of power from Washington to the states and localities and to individuals.

PHOTO: T. STERRY ASHE

New Republican members of Congress *have a "golden opportunity" to make government more user-friendly, says Rep. Roger Wicker, R-Miss.*

Enthusiasm for that challenge remains high both in the rank and file and in the top leadership. "Our job is to make government smaller and more user-friendly," says Rep. Roger Wicker of Mississippi, who, as president of the freshman class of House Republicans, speaks for that group. "We have a golden opportunity," he says of the new members whom he calls "the majority-makers."

"I don't know when we are ever going to get another chance again," Wicker says, adding that the consequences will be great "if we don't succeed."

Along with his newcomer colleagues, Wicker remains confident that the changes they came to Washington to make will indeed be carried out.

The next phase will be even more sweeping than the specific legislative achievements of the Contract With America because it will deal with nothing less than "a new vision of our future," according to its author, House Speaker Newt Gingrich. This plan encompasses such basics as the role of government and the rights and responsibilities of individual citizens as the nation enters a new century.

In a recent talk to the board of directors of the U.S. Chamber of Commerce, the speaker described the importance of broad participation in the implementation of the "new vision." He said: "If you are an American citizen, you ought to be a partner in your country's future."

These are the nine strategies Gingrich sees as the route to that future:

1. Renew American civilization with strong emphasis on the work ethic.
2. Emphasize economic growth, and make America the best competitor in the world market.
3. Lead the world in creating the information-age, third-wave society of the future.
4. Replace the welfare state with an opportunity society.
5. Disperse government power from Washington to the people.
6. Apply the principles of management experts Peter Drucker and the late W. Edwards Deming to the post-dispersal but still-large federal government to create the most effective system possible.
7. Balance the federal budget.
8. End violent crime and threats of violent crime, including elimination of the drug trade.
9. Maintain U.S. leadership of the planet.

That last point is logically placed, Gingrich said, because "for us to lead the world, we must renew ourselves."

The prospect of such renewal offers a challenge and an opportunity to all Americans concerned about the future of their country. NB

Free-Spirited Enterprise

By Janet L. Willen

Guiding Words

Move over, Deming. Step aside, Juran. Here comes the latest management guru: Shakespeare.

A collection of 150 of his inspired thoughts on leadership appears in *Shakespeare on Leadership: Timeless Wisdom for Daily Challenges*, a short book compiled and annotated by Frederick Talbott.

Consider this advice from *The Merchant of Venice*: "My ventures are not in one bottom trusted, nor to one place, nor is my whole estate upon the fortune

of this present year. Therefore my merchandise makes me not sad." Talbott's interpretation: "Spread your hopes, plans, and risks. Diversify."

The book costs $10.99 and is available from the publisher, **Thomas Nelson,** by calling 1-800-441-0511.

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Illinois Central, the Southern Pacific, and the Boston & Maine.

The documents were produced using the steel-engraved intaglio printing process. Six styles of engraved wooden frames with gold metal leaf trim are available.

Prices range from about $150 for a 9-by-12-inch railroad stock certificate in a 19-by-25-inch frame to $400 for a Confederate bond or a Boston-Hartford-Erie certificate in a 30-by-24-inch frame. Collectibles may cost more depending on rarity, age, signatures, pictures, and links to historic events.

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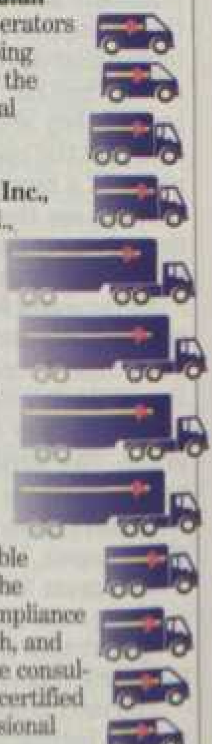

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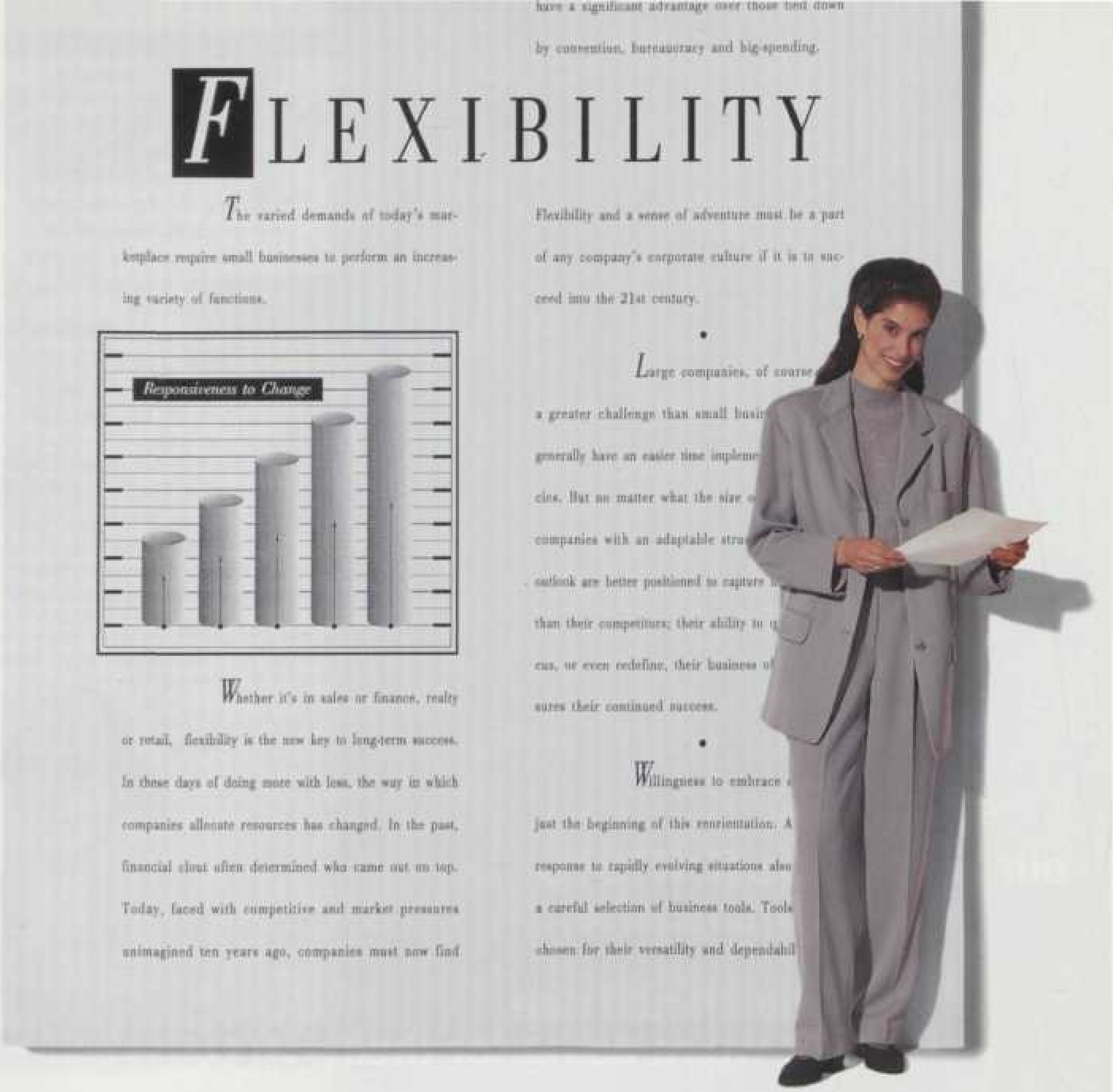

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U.S. Chamber of Commerce

House Speaker Newt Gingrich, R-Ga., center, receives a U.S. Chamber Salute for his support of the free-enterprise system and his leadership on the GOP's Contract With America from Chamber President Richard L. Lesher, left, and Dennis W. Sheehan, the business federation's chairman for 1995-96. The presentation was at the latest meeting of the Chamber's board.

Budget Plan Praised

Declaring the measure a victory for business and all Americans, the U.S. Chamber of Commerce praised the recent House and Senate passage of a budget resolution designed to balance the government's books by the year 2002.

The House passed the seven-year spending and tax outline 239-194; the Senate approved it 54-46. Both votes were in late June.

Continued on Page 12A

■ Chamber Policy

Board Acts On Pending Issues

The board of directors of the U.S. Chamber of Commerce adopted policies on several national issues important to the organization's members at its latest meeting, on June 14.

Rep. John A. Boehner, R-Ohio, left, confers with Lonnie Taylor, center, the U.S. Chamber's vice president for congressional affairs, before speaking to the board of directors. At right is Jim Halloran, the Chamber's manager of congressional affairs.

Sen. Paul Coverdell, R-Ga., below, thanked the U.S. Chamber for its support of the GOP plan to balance the federal budget by the year 2002 in a June address to the organization's board of directors.

■ Training

The board amended the organization's previous policy supporting efforts to restructure the federal training and employment system. The change enables the Chamber to support block grants to the states as "viable mechanisms for diminishing control from the federal government and increasing state and local flexibility" as the training and employment system is restructured.

Under the block-grant concept, the states would determine how money they were awarded would be spent on education and training programs.

The Chamber board specified that the work-force plans developed by state and local governments under the proposed block grants "must maintain the goal of preparing students and workers for skills needed in a high-performance workplace."

■ Workplace Teams

The board also voted to support legislation to allow nonunion companies to form cooperative labor-management teams.

Under a National Labor Relations Board interpretation of the National Labor Relations Act, such work teams are currently illegal.

The Chamber board said the organization's policy allows it to support measures to amend the labor law to facilitate cooperative efforts such as work teams, task forces, and other practices "designed to improve workplace cooperation, employee involvement and participation, and provide job enrichment."

The House Economic and Educational Opportunities Committee recently approved a measure that would allow employer-employee work teams. A similar bill is awaiting action in the Senate Labor and Human Resources Committee. The Chamber is supporting both measures.

■ Private Pensions

The board also revised the Chamber's policy on private pensions. The change enables the business federation to support reforms to tax laws that would give employers incentives to set up pension plans. It also allows the organization to favor policies that encourage employers to pre-fund retirement plans.

In addition, the policy change clarifies and strengthens Chamber support for reform of pension regulations that now discourage employers from setting up plans.

■ Political Contribution

On the political front, the board approved a $20,000 contribution to the Business and Industry Political Action Committee (BIPAC), which supports pro-business candidates for Congress and which has endorsement criteria similar to the Chamber's.

The contribution will go to BIPAC's Business Institute for Political Analysis, and will be used solely for research and analysis of candidates and campaigns.

Before the 1994 election cycle, the Chamber had produced and distributed to its 220,000 members a list of endorsed candidates for congressional office. But a recent rule issued by the Federal Election Commission prohibits the Chamber from sending such an endorsement report to the vast majority of its members.

The contribution to BIPAC, said the board, will allow the Chamber to remain involved in the political process pending resolution of the federation's legal challenge of the FEC regulation.

■ Other Action

The board also accredited four local chambers of commerce and reaccredited 22 other chambers.

The board meeting featured addresses by House Speaker Newt Gingrich, R-Ga.; Sen. Paul Coverdell, R-Ga., who serves as the Senate Republicans' liaison with business; and Rep. John A. Boehner, R-Ohio, who is chairman of the Republican Conference, the legislative strategy arm of the GOP.

■ Legal

Ruling Is Due On Striker Order

The U.S. Chamber of Commerce was waiting for a ruling at press time from a federal district court on the validity of a Clinton administration order barring federal contractors from hiring permanent replacements for striking workers.

The decision by the U.S. District Court for the District of Columbia Circuit was expected soon.

The district court was ordered by the U.S. Court of Appeals for the District of Columbia to review a suit brought by the Chamber and several other business organizations against President Clinton's March 8 executive order. The lower court had refused to hear the arguments in the case when the suit was filed in mid-March.

Clinton's order prohibits federal agencies from contracting with companies that have hired replacement workers for employees—either union or nonunion—who strike over economic conditions, such as wages. It applies to firms receiving federal contracts of more than $100,000.

The Chamber had requested that the district court issue an immediate injunction to stop the order's implementation and that it rule on arguments challenging the constitutionality of the order.

The district court ruled, however, that because no contractor had yet been harmed—or debarred from receiving contracts—by the executive order, the case was not "ripe" for review.

The Chamber appealed that ruling, and in late June the court of appeals unanimously ordered the lower court to decide the case on an expedited basis.

"We hope the district court, like the court of appeals, recognizes the harm to government contractors of the Clinton order barring striker replacements."

—Stephen A. Bokat, Executive Director, National Chamber Litigation Center

The Chamber has argued that the president has no authority under the Constitution or through Congress to "regulate the use of economic weapons in the collective-bargaining process or to punish federal contractors for hiring replacement workers."

■ OSHA

Overhaul Law, Chamber Urges

The U.S. Chamber of Commerce is urging the House to pass a bill introduced recently by Rep. Cass Ballenger, R-N.C., that would overhaul the Occupational Safety and Health Administration (OSHA).

The organization outlined its support for the measure at a recent hearing before the House Economic and Educational Opportunities Subcommittee on Workforce Protections, which Ballenger chairs.

Businessman William A. Stone testified on behalf of the U.S. Chamber in support of a bill to overhaul OSHA.

Testifying on behalf of the Chamber, William A. Stone, president of Louisville Plate Glass Co., of Louisville, Ky., said the legislation would require OSHA to focus on helping businesses to comply with health and safety rules rather than on fining them for violations.

"There are simply too many laws and regulations with which every company must comply," said Stone. "A small business cannot even hope to keep track of them all, let alone ensure compliance."

Among other provisions, the bill would reserve 50 percent of OSHA funds for consultation, training, education, and compliance-assistance programs. It also would require OSHA to conduct for each proposed workplace rule a study of the economic impact of the regulation, an assessment of the relative risks that the planned rule seeks to reduce or eliminate, and a cost-benefit analysis.

A similar bill is expected to be introduced in the Senate, but the timing for introduction is uncertain.

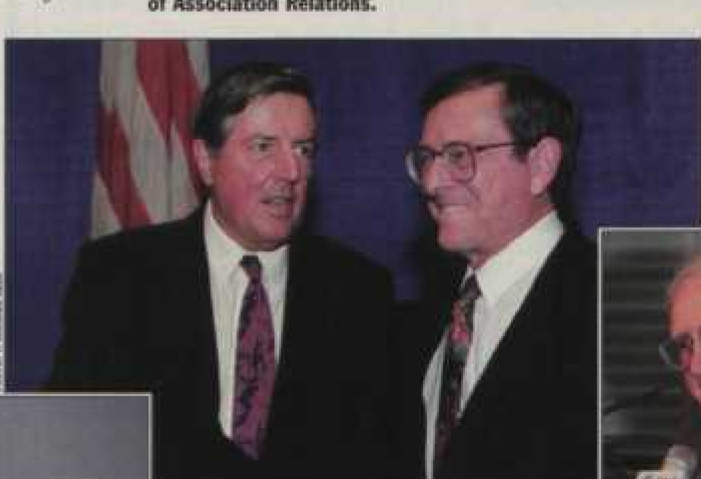
SPIRIT of ENTERPRISE

Appropriations Committee Chairman Bob Livingston, R-La., left, accepts a Spirit of Enterprise Award from U.S. Chamber President Richard L. Lesher.

The U.S. Chamber of Commerce has presented its Spirit of Enterprise Award for 1994 to 41 senators and 237 representatives. The presentations took place during June receptions on Capitol Hill. The 278 lawmakers, including those featured here, were honored for their strong support of business during 1994.

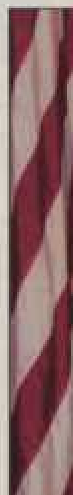
The award goes to legislators who supported the Chamber position at least 70 percent of the time on issues identified as critical to business during the previous Congress. (For the complete list of honorees, see Pages 8A and 9A.)

Spirit of Enterprise honoree Rep. Charles W. Stenholm, D-Texas, right, with the Chamber's Richard Loomis, center, and Robert Strade. Loomis is executive director of the Office of Chamber of Commerce Relations, and Strade is executive director of the Office of Association Relations.



U.S. Chamber President Richard L. Lesher, left above, talks with Sen. Pete V. Domenici, R-N.M. At left, Bruce Josten, the Chamber's senior vice president for membership policy, center, and Mary Bernhard, Chamber manager/environment policy, talk with award recipient Rep. Tim J. Roemer, D-Ind.

Honoree Rep. Dan Miller, R-Fla., is interviewed for "First Business," the Chamber's syndicated television news program.



Above, Reps. John Doolittle, R-Calif., left, and Bill H. Zeliff Jr., R-N.H., at an awards reception. At left, U.S. Chamber President Richard L. Lesher presents House Small Business Committee Chairman Jan Meyers, R-Kan., with a Spirit of Enterprise Award.

Award winner Rep. Constance A. Morella, R-Md., talks with Chamber Chief Economist Martin A. Regalia.

Honoree Rep. Ileana Ros-Lehtinen, R-Fla., talks with Bruce Josten, right, the Chamber's senior vice president for membership policy, and Jim Halloran, the organization's manager of congressional affairs.

Rep. Blanche Lambert Lincoln, D-Ark., accepts a Spirit of Enterprise Award from Bruce Josten, center, the Chamber's senior vice president for membership policy, and Chamber Vice President for Congressional Affairs Lonnie Taylor.

Sen. Dirk Kempthorne, R-Idaho, and Sen. Kay Bailey Hutchison, R-Texas, were among the honorees.

■ Endangered Species

Court Ruling Could Push Reform

A recent U.S. Supreme Court decision involving the Endangered Species Act may help boost legislation backed by the U.S. Chamber of Commerce to reform the 1973 statute.

The court's late June decision in *Babbitt vs. Sweet Home Chapter* upheld the U.S. Fish and Wildlife Service's interpretation of the word "harm" as it was stated in an endangered-species law regulation issued by the agency.

Rep. W. J. "Billy" Tauzin, D-La., center, discusses provisions of legislation to rewrite the Endangered Species Act at a recent press briefing on Capitol Hill. Larry Bowles, left, head of the U.S. Chamber's task force on endangered species, and Robert Gordon, executive director of the National Wilderness Institute, also participated in the briefing.

The service interpreted "harm" as any "significant habitat modification or degradation" that kills or injures endangered or threatened species. The court ruled that the interpretation is consistent with Congress' intent in passing the Endangered Species Act.

The Endangered Species Act requires the U.S. Interior Department's Fish and Wildlife Service to protect plants and animals that it has "listed" as endangered or threatened. Under the law, it is a federal crime to "take" an endangered or threatened species. The statute defines "take" as "harass, harm, pursue, hunt, shoot, wound, kill, trap, capture, or collect."

The lawsuit challenging the Fish and Wildlife Service's rule was brought by residents of several Oregon communities, known as the Sweet Home Chapter.

The Chamber and several other organizations had joined the case noting that the law has been used for the past 20 years to deny private landowners from making "modifications" to habitat, such as clearing vegetation or building roads, that might result in the "taking" of endangered or threatened species.

In a brief submitted to the court, the Chamber and the other groups had noted that under the wildlife agency's rule, citizens can be held criminally liable for knowingly modifying their land even if they do *not* know that the land is a habitat or potential habitat for endangered or threatened species.

While the decision marked a loss for the Chamber's legal affiliate, the National Chamber Litigation Center, it called attention to a Chamber-backed proposal that would rewrite the endangered-species law to make it more compatible with economic development and to protect private-property rights. At press time, Reps. Don Young, R-Alaska, Richard Pombo, R-Calif., and W. J. "Billy" Tauzin, D-La., were working out details of the measure.

Stuart Hardy, the U.S. Chamber's manager of energy, food, and natural resources, said in response to the ruling: "The Supreme Court decision only reinforces the crucial need for corrective legislation. This case draws a line in the sand between overzealous government regulators and private citizens who have had their livelihoods threatened or destroyed by out-of-control federal regulations."

The House legislation is expected to, among other changes to the law:

■ Provide greater public involvement in listing endangered or threatened species.

■ Require private-property owners to be compensated if their land is "taken" as a result of the Endangered Species Act.

■ Make information and data concerning the listing and recovery of species available to the public.

■ Require consideration of the economic impact of designating areas as critical habitat for endangered or threatened species.

■ Limit litigation over the Endangered Species Act to parties affected by the law.

■ Require listings of species or designations of critical habitat to be "peer reviewed through third parties without bias or conflict of interest."

The legislation is expected to be considered by the House Resources Committee in September.

In the Senate, Slade Gorton, R-Wash., has introduced a bill to reform the statute. The legislation would add provisions to allow more flexibility in considering the rights of private-property owners. The Chamber supports the Gorton measure.

■ Leadership

New Director For Association Office

Robert A. Strade has been named executive director of the U.S. Chamber of Commerce's Office of Association Relations.

Strade will be the principal Chamber contact for the organization's 1,200 member associations.

Strade formerly was director of executive employment services for the American Society of Association Executives (ASAE), a Washington-based national organization of trade-association managers. Before joining ASAE in 1987, Strade was a teacher and school administrator for 13 years.

He is a member of the Greater Washington Society of Association Executives and serves on the board of directors of No Greater Love, a nonprofit organization based in Washington to further educational and humanitarian causes.

GAIN UPDATE
GRASSROOTS ACTION INFORMATION NETWORK
U.S. Chamber of Commerce Federation

Simplification Of Pension Laws Is Vital, Chamber Says

Business Federation Backs Senate Legislation To Help Solve Retirement-Plan Problems

The U.S. Chamber of Commerce is urging immediate passage of legislation to simplify the complex and burdensome requirements that currently hobble employer-sponsored retirement plans.

Over the past decade Congress has chipped away at employers' ability to form and maintain employee pension plans. As a result, overregulation and underfunding are threatening the economic security of baby boomers who are retiring and draining the pool of national savings needed for investment and growth.

To reverse this potentially disastrous trend, Sen. David Pryor, D-Ark., has introduced the Pension Simplification Act of 1995, which the Chamber supports. The Clinton administration has proposed its own pension-reform bill, but no ally in Congress has yet introduced it as legislation. A measure similar to Pryor's has yet to be introduced in the House.

Reports from organizations such as the Committee for Economic Development, a New York City-based nonpartisan business group, have brought attention to the declining savings rate in America and the adverse consequences expected for future retirees.

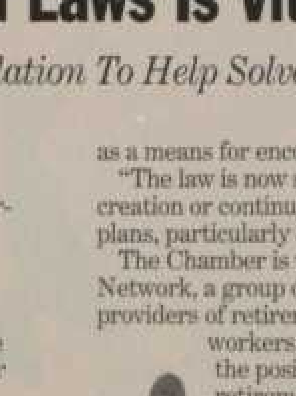
The number of people receiving Social Security benefits will nearly double by 2030, from 42 million to 80 million. But Social Security will not be able to provide them with the level of financial security that previous generations have enjoyed.

"Savings through employer-sponsored retirement plans is vital if future generations are to maintain a decent standard of living during their retirement years," says David Kemps, manager of employee-benefits policy for the Chamber.

However, Kemps points out that throughout the 1980s and into the 1990s Congress—through an unending assault on the Employee Retirement Income Security Act of 1974 (ERISA), the law that governs private pension plans—has severely eroded the effectiveness of employer-sponsored pension plans as a means for encouraging savings for retirement.

"The law is now so complex that it acts as a deterrent to the creation or continuation of employer-sponsored retirement plans, particularly defined-benefit plans," Kemps says.

The Chamber is working with the Retirement Savings Network, a group of associations representing employers and providers of retirement plans covering most American workers, to educate members of Congress about the positive aspects of the employer-sponsored retirement system and to urge them to simplify the complexities inherent in the nation's current pension laws.



Among other provisions, Pryor's bill would simplify the burdensome nondiscrimination testing provisions that are required of 401(k) plans. Under current law, an employer must engage in complex testing to determine which employees are "highly compensated," then conduct further testing to determine whether the pension plan discriminates in favor of these employees. Clinton's proposal takes a similar approach.

Pryor's legislation also would expand coverage for small employers by allowing a tax credit to those firms that establish a pension plan, by simplifying the criteria for determining which employees are "leased," and by repealing the so-called family aggregation rules. The rules require employees who are related to an owner who has at least 5 percent of the company or who are related to the top 10 paid highly compensated employees to be treated as a single participant for pension plan purposes.

In addition to supporting Pryor's proposal, the Chamber is urging lawmakers to adopt changes to the pension laws for tax-exempt organizations. These groups are currently prohibited from offering 401(k) plans to their employees.

While pension simplification may increase the number of employees participating in retirement plans, more plans and greater participation mean more income is deferred from federal taxes, Kemps notes. However, taxes are eventually paid on these funds when the employees retire.

Thus, an important component of the simplification debate must be an effort to persuade Congress to look beyond the short-term revenue implications associated with increased participation in tax-advantaged retirement plans, Kemps says.

Moreover, he adds, the focus must be on the benefits that will accrue not only to employees who take advantage of expanded opportunities for retirement savings but also on society as a whole as the nation's savings rate increases. Retirement savings create a pool of funds used to finance future economic growth and productivity.

How You Can Join GAIN

The Grassroots Action Information Network—GAIN—enhances the ability of business people to influence government decisions that affect their enterprises. Through the network, U.S. Chamber specialists on legislative and regulatory issues provide activist business people with the timely and thorough information they need to urge their members of Congress to cast pro-enterprise votes.

For more information on how to become a member of this network, call (202) 463-5604.

GAIN UPDATE

Spirit of Enterprise

Listed here are the 41 U.S. senators and 237 representatives who recently received the U.S. Chamber of Commerce Spirit of Enterprise Award for votes cast in 1994.

The award is given to lawmakers who voted in support of the Chamber's position on legislation at least 70 percent of the time during the previous congressional session. Each member's vote rating is based on an annual analysis of votes on selected business issues as reported in the Chamber's *How They Voted* publication.

U.S. HOUSE OF REPRESENTATIVES

ALABAMA
Spencer Bachus
Glen Browder
Sonny Callahan
Terry Everett

ALASKA
Don Young

ARIZONA
Sam Coppersmith*
Karan English*
Jim Kolbe
Jon L. Kyl**
Bob Stump

ARKANSAS
Jay Dickey
Tim Hutchinson
Blanche Lambert Lincoln

CALIFORNIA
Bill Baker
Ken Calvert
Gary Condit
C. Christopher Cox
Randy Cunningham
Calvin Dooley
John Doolittle
Robert K. Dornan
David Dreier
Elton Gallegly
Jane Harman
Wally Herger
Steve Horn
Michael Huffington*
Duncan Hunter
Jay Kim
Richard H. Lehman*
Jerry Lewis
Alfred A. McCandless*
Howard McKeon
Carlos J. Moorhead
Ron Packard
Richard Pombo
Dana Rohrabacher
Edward Royce
Lynn Schenk*
William M. Thomas

COLORADO
Wayne Allard
Joel Hefley
Scott McInnis
Dan Schaefer

CONNECTICUT
Gary Franks
Nancy L. Johnson
Christopher Shays

DELAWARE
Michael Castle

FLORIDA
Jim Bacchus*
Michael Bilirakis
Charles Canady
Peter Deutsch
Lincoln Diaz-Balart
Tillie Fowler
Porter J. Goss
Earl Hutto*
Tom Lewis*
Bill McCollum
John Mica
Dan Miller
Ileana Ros-Lehtinen
E. Clay Shaw Jr.
Cliff Stearns
C.W. "Bill" Young

GEORGIA
Michael "Mac" Collins
George "Buddy" Darden*
Nathan Deal
Newt Gingrich
Don Johnson*
Jack Kingston
John Linder
J. Roy Rowland*

IDAHO
Michael Crapo
Larry LaRocco*

ILLINOIS
Philip M. Crane
Thomas Ewing
Harris W. Fawell
J. Dennis Hastert
Henry J. Hyde
Donald Manzullo
Robert H. Michel*
John Edward Porter
Glenn Poshard
George E. Sangmeister*

INDIANA
Dan Burton
Steve Buyer
Andrew Jacobs Jr.
Jill L. Long*
John T. Myers
Tim J. Roemer

IOWA
Fred Grandy*
Jim Leach
Jim Lightfoot
Jim Nussle

KANSAS
Jan Meyers
Pat Roberts
Jim Slattery*

KENTUCKY
Scotty Baesler
Jim Bunning
Ron Lewis
Harold Rogers

LOUISIANA
Richard H. Baker
James A. Hayes
Bob Livingston
Jim McCrery
W. J. "Billy" Tauzin

MARYLAND
Roscoe Bartlett
Helen Delich Bentley*
Wayne Gilchrest
Constance A. Morella

MASSACHUSETTS
Peter Blute
Marty Meehan
Peter Torkildsen

MICHIGAN
Dave Camp
Vernon Ehlers
Peter Hoekstra
Joseph Knollenberg
Nick Smith
Frederick S. Upton

MINNESOTA
Rod Grams**
David Minge
Timothy J. Penny*
Collin Peterson
Jim Ramstad

MISSISSIPPI
Mike Parker

MISSOURI
Bill Emerson
Melton D. Hancock
James Talent

NEBRASKA
Bill Barrett
Doug Bereuter
Peter Hoagland*

NEVADA
Barbara F. Vucanovich

NEW HAMPSHIRE
Dick Swett*
Bill H. Zeliff Jr.

NEW JERSEY
Robert E. Andrews
Bob Franks
Dean A. Gallo* (died)
Marge Roukema
Jim Saxton
Christopher H. Smith
Richard A. Zimmer

NEW MEXICO
Steven Schiff
Joe Skeen

NEW YORK
Sherwood L. Boehlert
Hamilton Fish Jr.*
Amo Houghton
Peter King
Rick Lazio
David Levy*
John McHugh
Susan V. Molinari
Bill Paxon
Jack Quinn
James T. Walsh

NORTH CAROLINA
Cass Ballenger
Howard Coble
J. Alex McMillan*
Stephen L. Neal*
Charles H. Taylor
Tim Valentine*

NORTH DAKOTA
Earl Pomeroy

OHIO
John A. Boehner
Eric Fingerhut*
Paul E. Gillmor
David Hobson
Martin Hoke
John R. Kasich
David Mann*
Michael G. Oxley
Rob Portman
Deborah Pryce
Ralph Regula

OKLAHOMA
Bill Brewster
James Inhofe**
Ernest Jim Istook
Frank D. Lucas
Dave McCurdy*

OREGON
Peter A. DeFazio
Robert F. Smith*

PENNSYLVANIA
William F. Clinger Jr.
George W. Gekas
William F. Goodling
Jim Greenwood
Marjorie Margolies-Mezvinsky*
Joseph M. McDade
Paul McHale
Thomas J. Ridge*
Rick Santorum**
Bud Shuster
Robert S. Walker
Curt Weldon

RHODE ISLAND
Ron Machtley*

SOUTH CAROLINA
Arthur Ravenel Jr.*
Floyd Spence

SOUTH DAKOTA
Tim Johnson

TENNESSEE
Bob Clement
Jim Cooper*
John J. Duncan Jr.
Bart Gordon
Marilyn Lloyd*
James H. "Jim" Quillen
Don Sundquist*
John S. Tanner

TEXAS
Michael A. Andrews*
Bill Archer
Richard K. Armey
Joe Barton
Henry Bonilla
Larry Combest
Tom DeLay
Chet Edwards
Jack Fields
Martin Frost
Pete Geren
Ralph M. Hall
Sam Johnson
Greg Laughlin
Bill Sarpalius*
Lamar S. Smith
Charles W. Stenholm

UTAH
James V. Hansen
William H. Orton

VIRGINIA
Herbert H. Bateman
Thomas J. Bliley Jr.
Bob Goodlatte
Lewis F. Payne Jr.
Owen B. Pickett
Norman Sisisky
Frank R. Wolf

WASHINGTON
Maria Cantwell*
Jennifer Dunn
Jay Inslee*

WISCONSIN
Steve Gunderson
Scott Klug
Thomas E. Petri
Toby Roth

WYOMING
Craig Thomas**

U.S. SENATE

ALASKA
Frank H. Murkowski

ARIZONA
John McCain

COLORADO
Hank Brown

DELAWARE
William V. Roth Jr.

FLORIDA
Connie Mack

GEORGIA
Paul Coverdell
Sam Nunn

IDAHO
Larry E. Craig
Dirk Kempthorne

INDIANA
Dan Coats
Richard G. Lugar

IOWA
Charles E. Grassley

KANSAS
Robert Dole
Nancy Kassebaum

KENTUCKY
Mitch McConnell

MAINE
William S. Cohen

MINNESOTA
Dave Durenberger*

MISSISSIPPI
Thad Cochran
Trent Lott

MISSOURI
Christopher S. Bond
John C. Danforth*

MONTANA
Conrad Burns

NEW HAMPSHIRE
Judd Gregg
Robert C. Smith

NEW MEXICO
Pete V. Domenici

NEW YORK
Alfonse M. D'Amato

NORTH CAROLINA
Lauch Faircloth
Jesse Helms

OKLAHOMA
Don Nickles

OREGON
Bob Packwood

SOUTH CAROLINA
Strom Thurmond

SOUTH DAKOTA
Larry Pressler

TENNESSEE
Harlan Mathews*

TEXAS
Phil Gramm
Kay Bailey Hutchison

UTAH
Robert Bennett
Orrin G. Hatch

VIRGINIA
John W. Warner

WASHINGTON
Slade Gorton

WYOMING
Alan K. Simpson
Malcolm Wallop*

*No longer in Congress
**Now a U.S. senator

Inquiry Into Environmental Pact Has Support Of U.S. Chamber

The U.S. Chamber of Commerce is supporting congressional efforts by key lawmakers to find out why Clinton administration negotiators agreed to a global environmental pact that would place an unfair economic burden on the U.S. and other developed nations.

Leading the efforts are Rep. Dan Schaefer, R-Colo., and Sen. Frank H. Murkowski, R-Alaska, who are examining the activities of U.S. envoys at the recently concluded United Nations Convention on Global Climate Change, in Berlin.

In addition to the efforts of Schaefer, chairman of the House Commerce Subcommittee on Energy and Power, and Murkowski, chairman of the Senate Energy and Natural Resources Committee, Sen. Jesse Helms, R-N.C., chairman of the Senate Foreign Relations Committee, is expected to conduct an oversight hearing to examine the U.N.'s plans to use U.S. tax dollars to implement the climate-change agreement.

The environmental agreement sets up a U.N. task force on global climate change that will forge an international protocol requiring developed countries to abide by stringent emissions standards that the task force is expected to recommend. In the U.S., such a protocol would have to be approved by the Senate.

The agreement, known as the Berlin Mandate, obligates the U.S. and other industrialized nations to negotiate new goals and timetables to reduce emissions of carbon dioxide, methane, and other greenhouse gas emissions by 1997. However, it fails to place any limitations on the world's largest greenhouse-gas emitters—the developing countries.

According to the International Energy Agency, the developing world will release more carbon dioxide by 2010 than the industrialized nations. And according to U.N. estimates, these countries will be responsible for almost 70 percent of global greenhouse gas emissions by 2025; China alone will emit more carbon dioxide than the current combined total of the U.S., Japan, and Canada.

U.S. economic growth and trade competitiveness could suffer as a result of such a protocol, says Sally Jefferson, associate manager of domestic policy for the Chamber.

This new accord comes at a time when U.S. businesses are already making enormous investments to achieve the goals of the Earth Summit Climate Treaty that just went into effect last year. The Berlin meeting was the first major follow-up conference to the 1992 Earth Summit, in Rio de Janeiro.

The treaty signed in Rio de Janeiro obligates industrialized nations to lower emissions to 1990 levels.

As a result, American businesses already are committing $60 billion to implement some 50 government-private partnerships, such as Climate Challenge, in which more than 800 utilities have pledged to reduce greenhouse gas emissions. Most of the emission reductions resulting from these initiatives will not be realized until sometime between the years 2001 and 2010.

One of the proposals advanced by the Berlin delegates would require an additional 20 percent cut in emissions by 2005.

According to a McGraw Hill/DRI study, an additional 20 percent emissions cut could cost as many as 600,000 U.S. jobs annually and reduce the U.S. gross domestic product (GDP) by $370 billion.

"Seeking new emissions requirements before the voluntary partnerships have even been given a chance to work is premature and inappropriate," says the Chamber's Jefferson.

Another tenet of the Berlin agreement establishes a permanent climate-change office in Bonn, Germany. The U.S. is expected to underwrite $4 million of the office's $16 million annual budget.

Why Legislation Is Needed To Allow Employer-Employee Work Teams

The ability of U.S. companies to produce high-quality goods and services and thus remain competitive in a global marketplace depends on the participation and input of all employees.

That's why the U.S. Chamber is supporting legislation that would allow businesses to form employer-employee work teams, something they cannot legally do now.

In a 1992 decision, the National Labor Relations Board (NLRB) ruled that a system of teams or committees established by a company as a vehicle for employee participation constitutes a company-dominated union under a section of the 1935 National Labor Relations Act.

That law was written at a time when it was not uncommon for employers to set up sham unions as a way of discouraging legitimate unions from organizing their workers. This practice, however, virtually ceased after 1935 and is rare in the last half of the 20th century.

Legislation to amend the federal labor law so it could no longer be misinterpreted or misapplied in this manner is being considered in both houses of Congress, and the Chamber has pledged its support for the measures.

Known as the TEAM Act, the House bill, H.R. 743, sponsored by Rep. Steve Gunderson, R-Wis., was approved in June by the Economic and Educational Opportunities Committee. The companion Senate bill, S. 295, sponsored by Sen. Nancy Kassebaum, R-Kan., is pending in the Labor and Human Resources Committee, which Kassebaum chairs.

Organized labor has made defeat of the bills a top priority. Unions maintain that employer-created and -administered teams or committees have the same effect as in-house unions controlled by the employer. The net result, they say, is that employees do not form and join legitimate unions that, because they are strong and independent, can represent the true best interests of employees.

Employee participation is the best way to get people interested in their work and help them contribute to the work tasks, and almost all employees want to have greater involvement in the day-to-day decisions affecting the workplace, says Peter Eide, a labor-law attorney for the Chamber.

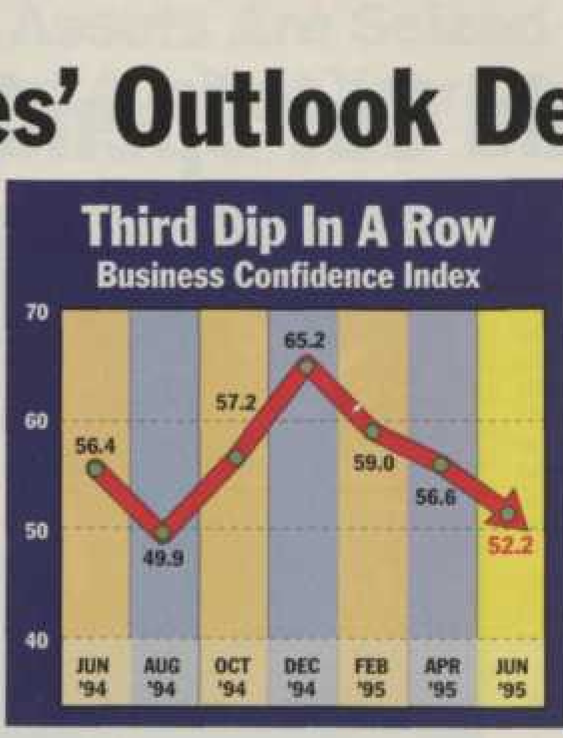
The NLRB's interpretation of federal labor law restricts, and in most situations prohibits, employers from allowing employees to participate in the operation of their own workplaces, says Eide. "The legislation would help free employers to allow such participation." GU

Business Ballot

Companies' Outlook Declines

Business's confidence in the economy fell for the third consecutive period, according to the latest bimonthly poll of U.S. Chamber of Commerce members.

The Chamber's Business Confidence Index dropped to 52.2 in June from 56.6 in April. The index was 59.0 in February, which was a drop from an all-time high index of 65.2 in December 1994. (See the chart.)



The index was developed by the Chamber and is based on the results of three economic questions asked in its Business Ballot poll. The poll asks Chamber members' six-month outlook for their firms' sales and employment and for the economy in general.

"It's clear that interest-rate increases last year and early this year have slowed economic growth," said Martin A. Regalia, U.S. Chamber vice president and chief economist. "The Business Confidence Index mirrors the general economic malaise evident in a broad array of economic reports and statistics," he said.

Just 19.5 percent of respondents to the latest poll said they expect the economy to improve over the next six months, down from 25.7 percent in April. But 34 percent expect it to get worse, up from 28.4 percent in April. Nearly 47 percent expect no change in the economy.

Respondents' optimism about their own firms' outlook also fell, with 39.1 percent saying they expect sales to increase over the next six months, compared with 44.5 percent in April; 19.1 percent said they expect sales to go down, compared with 16.7 percent in April. Just under 42 percent believe their sales will remain steady.

Hiring plans diminished as well, with 20.6 percent of respondents reporting that they expect to add employees over the next six months, compared with 25.4 percent in the April poll. Almost 13 percent expect to cut jobs, compared with 11 percent in April.

Be sure to respond to this month's Business Ballot in the polybag with your Nation's Business *and* The Business Advocate.

Poll Results

Slow Spending, Firms Say

The overwhelming majority of U.S. Chamber of Commerce members believe Congress should slow the growth in federal spending to balance the budget by the year 2002.

Nearly 97 percent of respondents to the Chamber's latest bimonthly Business Ballot poll agreed with this course of action.

The compromise budget resolution recently adopted by the House and the Senate would slow the growth in federal spending to an average of 2.9 percent a year for the next seven years. Under the budget law passed in 1994, the Congressional Budget Office had projected that spending growth from 1995 to 2002 would average 4.7 percent a year.

Less than 2 percent of poll respondents said they oppose slowing spending to balance the budget, and 1.7 percent were undecided.

More than 86 percent said they would support either slower spending growth, cuts in federal programs, reductions in tax breaks, or all of those options—even if their firms were negatively affected—provided those actions were part of a broad budget package that spread the consequences fairly over all segments of the population.

Just 6.7 percent said they would not support that plan, and 7 percent were undecided.

Nine out of 10 poll respondents said they would support a balanced budget by 2002 even if it meant slower growth and/or cuts in entitlement programs, such as Medicare, Medicaid, Social Security, and government retiree benefits.

The budget plan approved in late June by the House and the Senate would slow the growth of Medicare and Medicaid.

Capital Gains

Chamber Backs Tax-Cut Legislation

The U.S. Chamber of Commerce is urging passage of legislation recently introduced in the Senate to cut the tax on capital gains.

Sponsored by Sens. Orrin G. Hatch, R-Utah, and Joseph I. Lieberman, D-Conn., the bill would, among other changes, cut the maximum tax rate for corporate capital gains to 25 percent from 35 percent and allow individuals to exclude from capital-gains taxes 50 percent of any gain from the sale of a capital asset.

Reps. Philip S. English, R-Pa., and Robert T. Matsui, D-Calif., were expected to introduce a similar bill soon in the House.

The House-Senate compromise budget resolution does not include specific tax reductions; instead, it calls for $245 billion in unspecified cuts. The tax-writing panels in each chamber are expected to craft tax-cut proposals in September.

Budget

Plan Would Cut Spending, Taxes

Continued from Page 1A

"This plan makes the tough choices to restore the economic well-being of our nation and protects our children's future by not passing our bad debt onto the next generation," said Bruce Josten, the Chamber's senior vice president for membership policy.

The Chamber and the Washington-based public-interest group Citizens for a Sound Economy led a coalition of businesses and organizations in support of the balanced-budget proposal.

The budget resolution acts as a guide for congressional appropriations panels as they craft actual spending legislation for programs under their jurisdiction.

Those proposals—in the form of 13 appropriations bills—must be approved by both houses of Congress and the president. Without enactment of the appropriations measures and a budget reconciliation bill by Sept. 30, Congress would need to adopt a stop-gap spending measure to continue government operations. The budget reconciliation bill is expected to include any changes in tax laws and in the spending levels set by the 1994 budget law and embodied in the 13 appropriations measures.

The House-Senate compromise budget plan contains nearly $960 billion in deficit reduction and $245 billion in unspecified tax cuts over seven years. The plan allows for federal spending growth of an average of 2.9 percent a year compared with the 4.7 percent projected by the Congressional Budget Office (CBO) under the budget law passed in 1994.

Under the pending congressional budget plan, the current deficit of approximately $176 billion would become a budget surplus of about $7 billion by 2002, according to a Senate Budget Committee analysis of the proposal. Left unchanged, the 1994 budget law would see today's deficit soar to nearly $230 billion by that year.

Savings would come mostly from decreases in the rate of growth in spending on nondefense discretionary programs, such as education and training, on Medicare and Medicaid—the federal health-care systems for the elderly and poor, respectively—and on other mandatory programs, such as government retiree benefits and food stamps.

Details of the $245 billion in tax cuts must be worked out by the tax-writing panels in each house: the Ways and Means Committee in the House and the Finance Committee in the Senate. Those panels are expected to craft their tax plans over the next several weeks.

Among the tax-reform proposals backed by the Chamber are a reduction in the tax on capital gains for businesses and individuals; reform of the estate, gift, and alternative-minimum taxes; and expanded individual retirement accounts.

Bruce Josten, left, the U.S. Chamber's senior vice president for membership policy, congratulates Senate Budget Committee Chairman Pete V. Domenici, R-N.M., after a ceremonial signing of the House-Senate compromise budget resolution. Domenici, Senate Majority Leader Bob Dole, R-Kan., House Speaker Newt Gingrich, R-Ga., and House Budget Committee Chairman John R. Kasich, R-Ohio, signed the resolution, which was approved by both houses of Congress and calls for a balanced budget by the year 2002.

White House Conference

Activity was brisk around the U.S. Chamber of Commerce information booth at the June White House Conference on Small Business. Chamber involvement in the conference also included attending earlier state-level meetings and providing policy specialists to brief delegates on key business issues. (For information on the results of the White House conference, see the story on Page 42 in the August *Nation's Business*.)

What Will You Do When Your Personal Assets Are Seized to Satisfy A Judgment Against Your Corporation?

All your many tax benefits of owning a corporation could be wiped out overnight. How? The I.R.S. could visit you and claim you have not kept proper corporate minutes. You could lose the very tax benefits to which the law entitles you.

Here are some recent "horror stories" direct from actual court cases:

Joseph P. obtained a loan from his corporation without the proper loan documents and corporate minutes. As a result, the court required him to pay additional taxes of $27,111.60. He narrowly escaped a penalty of $13,555.80.

B.W.C., Inc. was forced to pay $106,358.61 of accumulated earnings tax because its corporate minutes were incomplete. They expressed "no specific, definite, or feasible plans" to justify accumulating earnings, according to the court.

Keeping records has always been a bother, and an expensive one, especially for small companies. Most entrepreneurs do not like to spend time keeping records. Probably because no one ever became rich by keeping records. And in a small, one-person business, it seems downright silly to keep records of stockholder meetings and board of directors meetings...keeping minutes...taking votes...adopting resolutions...isn't it all just a waste of time?

Not if you ask any of the thousands of entrepreneurs who have lost fortunes because they failed to keep records. You should look at corporate recordkeeping chores this way: *It's part of the price you pay to get the tax benefits and personal protection from having a corporation.*

A corporation does not exist except on paper, through its charter, by-laws, stock certificates, resolutions, etc. Anything you do as an officer or director has to be duly authorized and evidenced by a resolution of the stockholders or the board, or by both in some cases. It makes no difference if there is only one stockholder or one million stockholders. The rules are basically the same.

You can hire a lawyer, like the big companies do, and pay $100 or more just to prepare one form. But you may need, at minimum, a dozen or more documents to keep your corporation alive and functioning for just one year. This type of work is the bread and butter for many corporation lawyers. Most of the work can be done by their secretaries, yet they will charge you enormous sums because they know how important these forms are.

There is now a way for you to solve your corporate recordkeeping problems. Without a lawyer, without paying big fees, and without spending a lot of time. Virtually all the forms you will ever need are already compiled in **The Complete Book of Corporate Forms** by Ted Nicholas. Nicholas also created the highly popular computer diskettes for **The Complete Book of Corporate Forms**. These diskettes can save you hours of valuable time—and can save you literally thousands of tax dollars each year.

But forming a corporation is only the first step toward building "the ultimate tax shelter." Through carelessness or neglect, many people are denied their rightful benefits from owning their own corporation. Ted Nicholas saw that many business owners needed more help *after* they incorporated.

And so, he prepared **The Complete Book of Corporate Forms**. Everything is simplified. Either you or your secretary can complete any form in minutes. All you do is fill in a few blanks and insert the completed form in your record book. When you own this book, you are granted permission to reproduce every form. If you are behind on keeping your corporate records, now you can catch up in no time. Just complete a few blanks for the things you've already done in the company. It's legal and it works. Best of all, the price is less than you would pay a lawyer for one hour of counseling.

Here is just a sample of what you'll receive:

Minutes of Stockholders Meetings
Minutes of Directors Meetings
Minutes of Special Meetings
(Any of these can be used if you are the only stockholder and director.)
Amendments to Articles of Incorporation
Amendments to By-Laws

You will also receive all the stockholder and directors resolutions you will need including:

• Negotiations of contracts • Authorizing loans to corporation • Approval of corporate loans to you • Designation of purchasing agent *(some suppliers may want to know who is authorized to buy from them)* • Setting your salary • Directors fees • Authorizing your expense account • Mergers • Sale of corporate assets • Dissolution • Bankruptcy • Declaring dividends • Appointment of attorney or accountant

Plus, you'll receive the forms needed to authorize any of these tax-saving fringe benefits:

• Pension or profit-sharing plans • Medical and dental reimbursement plans • Sick pay plans • Split dollar life insurance • Educational loan program • Scholarship aid program • Stock options • Group life insurance • Financial counseling plan • Group legal services • Christmas bonus, special bonuses

Just one of the above forms can cost you hundreds of dollars in legal fees...

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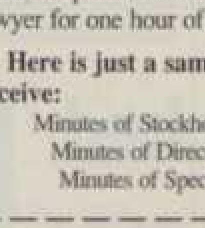

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Legislation

Action On Highway System Urged

The U.S. Chamber of Commerce is urging the House to approve a measure to establish a vital national network of highways now that the Senate has approved such legislation.

The House proposal was expected to be introduced by Rep. Bud Shuster, R-Pa., chairman of the Transportation and Infrastructure Committee, in mid-July.

The measure would establish a National Highway System (NHS) and would designate 159,000 miles of America's key roads for travel and commerce. It would include the existing interstate-highway system and other major arteries.

The legislation, introduced by Sen. John W. Warner, R-Va., passed the Senate on June 22.

Congress has a statutory deadline of Sept. 30 to pass the bill and have it enacted by the president. Failure to enact it by that date would mean the loss of $13 billion in highway funds to states for fiscal 1996 and 1997. The funds would go toward repair of existing roads that would be included in the system and for construction of new ones.


Sen. John W. Warner, R-Va., sponsored Chamber-backed legislation to create a National Highway System.

The bill adopted by the Senate includes an amendment to allow states to use federal Highway Trust Fund dollars for Amtrak's operating and capital budgets. The Chamber vigorously opposes this provision.

Other Senate amendments would repeal the federal 55 mph speed limit for noncommercial vehicles and eliminate a federal requirement that states adopt laws mandating the use of helmets by motorcyclists.

The Chamber is working to exclude the Amtrak provision from the House measure and is urging representatives to pass an NHS measure free of wasteful transportation "demonstration projects."

Last year, differences over the inclusion of funding for some demonstration projects precluded Senate and House negotiators from reaching a compromise between bills passed by their respective bodies.

Approval of NHS legislation, says the Chamber, would, among other benefits, create thousands of jobs by expanding markets for American products, reduce U.S. transportation costs, increase industrial productivity, and improve American competitiveness at home and abroad.

Contact your representative and let him or her know that this issue dramatically affects the infrastructure on which businesses and individuals depend. Ask your lawmaker to co-sponsor NHS legislation. Call the Capitol switchboard at (202) 225-3121, or write U.S. House of Representatives, Washington, D.C. 20515.

Education And Training

New Initiative Launched

The Center for Workforce Preparation, an affiliate of the U.S. Chamber of Commerce, recently launched an initiative that could spur development of programs that prepare students for the work force.

In general, school-to-work programs seek to link employers, chambers of commerce, community organizations, and schools in an effort to better prepare students to advance in careers and to further the education and training of individuals who are already employed.

The Chamber's school-to-work initiative, called New Century Workers, consists of providing employers, educators, and state and local chambers with:

- Profiles of the employment needs in a community.
- A national database of school-to-work programs.
- Information about school-to-work opportunities.
- Leadership training and technical assistance in designing, implementing, and evaluating school-to-work programs.

The Chamber education center announced the initiative at a June 20 conference on school-to-work efforts. The conference, held at the Chamber, was sponsored by the American Express Foundation, Entergy Corp., Massachusetts Mutual Life Insurance Co., and the First National Bank of Commerce in Louisiana.


Edward Donley, center, founding chairman and current director of the U.S. Chamber's Center for Workforce Preparation and a former member of the Chamber's board of directors, received a Chamber Salute for his efforts in education and training from Chamber President Richard L. Lesher, left, and Dennis W. Sheehan, Chamber chairman for 1995-96.

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U.S. Chamber MemberServices

The U.S. Chamber of Commerce offers numerous services and publications to its members. Here is a partial listing of these benefits.

Regulation Conference

Sally Katzen, administrator of the federal Office of Information and Regulatory Affairs, will be among the top officials of regulatory agencies participating in a briefing Oct. 17 at the U.S. Chamber on the appropriate role of federal agencies in the rule-making process.

Sally Katzen

The briefing is being sponsored by the National Chamber Litigation Center, the Chamber's public-policy law firm.

The regulators will take part in a panel discussion that will be followed by a question-and-answer session.

Other agency chiefs scheduled to appear are Joseph Dear, administrator of the Occupational Safety and Health Administration; Gilbert Casellas, chairman of the Equal Employment Opportunity Commission; Robert Pitofsky, chairman of the Federal Trade Commission; and Fred Hansen, deputy administrator of the Environmental Protection Agency.

House Majority Whip Tom DeLay of Texas, one of the Republican leaders fighting to reform the regulatory process, will be the luncheon speaker.

The all-day event will begin at 9 a.m. and costs $225 for NCLC members and $250 for others.

For more information, call Cam Esser at the National Chamber Litigation Center at (202) 463-5337.

Management Training

A catalog describing the Chamber's fall management seminars in detail is now available from the Quality Learning Services (QLS) Department.

To receive a free copy of the catalog, call 1-800-835-4730 or (202) 463-5940.

The Quality Learning Series is televised via satellite to local sites. Top experts in the quality-management field are the principal presenters.

These are the dates, seminar leaders, and subjects for the eight-program fall series:

Sept. 12—Stuart R. Levine, Dale Carnegie & Associates, Inc., "Responding to the Challenge of Change: Leadership Strategies for the '90s."

Sept. 26—Peter Scholtes, Scholtes Seminars & Consulting, "Using Teams to Get Results."

Oct. 3—Brian Joiner, CEO of the consulting firm Joiner Associates, "Examples in Improvement: Lessons Learned."

Oct. 10—Hyrum Smith, co-founder, Franklin Quest Co., "Gaining Control: Five Steps to Freedom and Success."

Oct. 31—Garry Mathiason, a San Francisco attorney, and Chris Hatcher, professor of psychology at the University of California at San Francisco, "Violence in the Workplace." This seminar will be co-sponsored by the Society for Human Resource Management and the National Chamber Litigation Center, the Chamber's public-policy law firm.

Nov. 7—A. Roger Merrill, Covey Leadership Center, "Win-Win Stewardship."

Nov. 14—Patricia Harrison, National Women's Economic Alliance Foundation, "A Seat at the Table: An Insider's Guide for America's New Women Leaders."

Dec. 5—Joel Barker, Infinity Limited consulting firm, "Five Regions of the Future."

All the seminars will air from 1 to 3 p.m. Eastern time. To learn how you can host a downlink site or purchase taping rights, call the Chamber's Federation Programs and Services Division at 1-800-835-4730 or (202) 463-5940.

Technology Survey Results Available

Results of a survey of business users of the National Information Infrastructure (NII), or information superhighway, are available from the Chamber.

Conducted by the Chamber's Telecommunications Infrastructure Task Force, the survey sought the business perspective on the current

and future use of information components and applications, such as computers, cellular telephones, and television and video.

Among other responses, the more than 1,600 businesses that completed the survey gave their views on the need for privacy and security in the NII, their expectations of an information system, their reasons for investing in the NII, and their views on developing standards for an information network.

The survey results were analyzed by the consulting firm Ernst & Young.

For a copy of the analysis, which costs $10 for Chamber members and $15 for nonmembers, contact Sherry Smith at (202) 463-5672.

Policy Briefings

The Chamber's Briefing Center designs and conducts meetings at which representatives of businesses, state and local chambers of commerce, and trade associations receive specialized presentations on public-policy issues affecting their respective organizations.

For more information or to arrange for a briefing, call (202) 463-5414.

Workers' Comp Supplement

Orders are now being accepted for the supplement to the Chamber's *1995 Analysis of Workers' Compensation Laws.*

The supplement details legislative changes in state workers' comp laws that have occurred from the beginning of the year to July 1.

The supplement is $8 for Chamber members and $11 for nonmembers. Bulk-order discounts are available.

To order, write the U.S. Chamber of Commerce, Publications Fulfillment, 1615 H Street, N.W., Washington, D.C. 20062-2000, or call 1-800-638-6582. In Maryland, call 1-800-352-1450. Request publication No. 0411.

The full 1995 analysis, which includes information on workers' comp laws, indemnity benefit levels, and charts on the various jurisdictions' income benefit levels and coverage, insurance, and legal requirements, is available at a cost of $15 for members and $25 for nonmembers. Request publication No. 0410.

Education Loans

The Chamber's ConSern: Loans for Education program provides private, credit-based, long-term loans to Chamber members and their employees for college and secondary school. To offer ConSern to your employees or for information, call 1-800-697-LOAN (1-800-697-5626).